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WORLD | EUROPE

Town That VW Built Views Future With Caution

Residents of Wolfsburg, Germany, begin belt-tightening over diesel-emissions scandal



In Wolfsburg, Germany, whose main shopping street is named Porsche, the Volkswagen scandal is casting a cloud over its well-off residents. *PHOTO: MARKUS SCHREIBER/ASSOCIATED PRESS*

By **RUTH BENDER**

Oct. 2, 2015 10:53 a.m. ET

WOLFSBURG, Germany—In the hometown of Volkswagen AG, residents are bracing for a bumpy ride.

Wolfsburg grew around a 1938 factory created as part of Adolf Hitler's plan to mass-produce his "people's car". And the car maker's fortunes and those of the town's 125,000 people remain intimately connected.

Anticipating a slump in corporate tax from the car maker in the wake the scandal surrounding its recent admission that it cheated on diesel emissions tests, the city this week issued a budget and hiring freeze. City officials have halted all new infrastructure

projects—including work on a new €70 million (\$78.4 million) cultural center and fire station—until there is more clarity over the main question on residents’ minds: How deep will be the damage?

“I believe we have a few tough years ahead of us,” said Angelika Jahns, a native Wolfsburg and member of the parliament of Lower Saxony for the Christian Democratic Union. “I’ve seen other crises, but this one seems different as it’s about trust,” Ms. Jahns said.

Few people want to talk about the scandal and many, in solidarity with the company, dismiss events as “overblown.”

“We don’t talk about it, especially not at work,” said Ralf Mühlisch, who has worked at Volkswagen since 1978 and is the mayor of a town district for the Social Democrats. “Volkswagen is our heart. We still know we have great products and are proud of them.”

The

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unease that hangs over Wolfsburg mirrors fears that have reverberated throughout Germany for the past two weeks. Car makers and their suppliers accounts for nearly 20% of Germany’s exports and contribute around 3% to the country’s gross domestic product, according to the German auto industry association VDA. Economists warn that the German economy could suffer from potential job losses as one in seven jobs in the country are, directly or indirectly, dependent on the sector.

“Besides short-term financial impacts, the bigger threat is if the scandal damages the image of the Made in Germany brand collectively,” said Martin Gornig from the German

Institute for Economic Research. “There is bound to be a negative spiral.”

In and around Wolfsburg, concerns are more concrete. The group’s engine plant in Salzgitter, one of the largest engine manufacturers in the world, this week lowered production in a precautionary measure, according to a spokeswoman for the plant. Volkswagen’s financing unit based in nearby Braunschweig also instituted a hiring freeze in response to the emissions scandal.



People leave Volkswagen’s car factory in Wolfsburg. PHOTO: MARKUS SCHREIBER/ASSOCIATED PRESS

“The atmosphere is tense...I fear for my job,” said Matthias Mann, 41, who works at one of the roughly 2,200 suppliers that have settled in

and around town. “We are married to Volkswagen.”

Volkswagen means more than just jobs for its people.

While Detroit has declined in concert with the U.S. car makers based there, Wolfsburg has mainly prospered with Volkswagen. What used to be a tiny blue-collar village is now one of Germany’s wealthiest towns, where many workers enjoy above-average incomes and a rich cultural offering for a town of its size.

Thanks to high tax revenues from Volkswagen, the city now boasts a large modern art museum and futuristic science center. Visitors and top earners can dine in Michelin-starred restaurants, sleep in a five-star hotel and shop for designer clothes. Volkswagen is one of the region’s main investors in new housing construction, higher education and research. Most Wolfsburg households own two cars—Volkswagens and some Audis, mainly—and are supporters of premiere league soccer club VfL Wolfsburg, also owned by the car maker.

But such affluence also means Wolfsburg has a lot to lose.

“We are used to a certain standing, no one wants to see that go,” said Sieghard Wilhelm, 67, who worked at Volkswagen for 36 years and is a member of the Greens in the city council.

For many Wolfsburgers, solidarity with Volkswagen is bigger than fear. Few locals say they believe the company will suffer lasting consequences. Some even evoke a U.S.-driven conspiracy against an annoyingly successful German brand.

Wolfsburg is no stranger to tough times. After a slump in the auto industry in the early 1990s, Volkswagen instituted a four-day week in a bid to preserve 30,000 jobs, a measure still on older people’s minds.



German auto giant Volkswagen’s historical manufacturing plant in Wolfsburg, northern Germany. *PHOTO: AGENCE FRANCE-PRESSE/GETTY IMAGES*

But the town always overcame its rough patches—including two oil shocks. When the global financial crisis hit in 2008, sending Germany’s gross domestic product plummeting by 5%, Wolfsburg recorded an increase in corporate tax.

“All of this is hot steam. It will go away again,” said Klaus Masche, 60, who also works at Volkswagen.

Outside the plant—where factory sheds cover an area the size of the principality of Monaco—there are few hints of the drama unfolding behind closed office doors. In between shifts, workers cross the long tunnel that connects the plant with the city center, teenagers and pensioners lounge in cafes on Porsche Street, the town’s main shopping street, while stands are being set up for the annual beer festival.

“If all roads lead to the top, you must be in Wolfsburg,” reads the slogan of the publicly-

owned agency in charge of promoting the town.

For all the spending freezes, the city retains an outward air of prosperity and locals say they don't even want to imagine that their beloved town could one day face a fate similar Detroit's. "We might fall, as we rise, with the crisis, but this I can't see," said Mr. Wilhelm from the city council.

Mr. Mühlisch, like most people here, is stubborn in his optimism that the company will ride through the crisis without lasting damage.

"Every time I come back from vacation and see those towers, my heart jumps," he said, staring at the landmark smokestacks of Volkswagen's power plant where his father worked before him. "Of course it's not good to cheat, but it's not like someone died."

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