

Volkswagen CEO: 'We are not a criminal brand'

Nathan Bomey and Brent Snavely, USA TODAY and Detroit Free Press 6:47 a.m. EST January 11, 2016

Matthias Mueller apologizes for the emissions cheating scandal that has caused a loss of customer trust and the company to come under fire from the United States for their actions. Kelly Jordan, USA TODAY



(Photo: Kelly Jordan)

DETROIT---German automaker Volkswagen will propose a fix for U.S. vehicles affected by its emissions scandal when CEO Matthias Mueller meets with the Environmental Protection Agency on Wednesday in Washington, D.C.

Mueller, who is set to meet with EPA administrator Gina McCarthy, told reporters at an event tied to the Detroit auto show that he believes the solution is satisfactory and that the company has made "huge progress" in the talks.

But the EPA has been unhappy with Volkswagen's handling of the scandal, which involves cheating software installed on up to 11 million diesel vehicles worldwide to dodge emissions regulations.

German authorities have already approved a fix for most European cars, but U.S. regulators have withheld their approval, in part because American standards on nitrogen oxide emissions belched by diesel vehicles are more stringent.

"We will offer some solutions and then we will see what the reaction will be," Mueller told reporters who swarmed him after a speech at a downtown Detroit restaurant in his first appearance before U.S. media since the scandal broke.

About 580,000 U.S. vehicles are affected by the bogus software.

Mueller kicked off his press appearance by reiterating that the company would stand by its plans to expand its only U.S. factory even as the emissions scandal engulfs the company, dragging down sales and crushing the company's finances.

Mueller will maintain its planned \$900 million expansion of its Chattanooga, Tenn. plant, which will get 2,000 additional jobs.

Mueller also apologized once again for the automaker's emissions violations and pledged to regain the public's trust, but he appeared to draw a line between the accusations and the U.S. Justice Department's criminal probe into the company's actions.

The company has admitted to rigging up to 11 million diesel vehicles with the bogus software, likely exposing the company to massive fines, a U.S. Justice Department criminal investigation, sweeping recalls and numerous lawsuits.

"We are not a criminal brand or group," he said. "We haven't been that. We have made a huge default, technical default, but there was no intention against customers or authorities."

He also stopped short of acknowledging that the company lied: "Whether we did lie or not – that is the issue of the investigation," he said.

Volkswagen's most immediate challenge is delivering a fix for customers agitated by the scandal. Many cars will likely require hardware changes to make room for the necessary equipment, complicating the necessary repairs. Until then, the automaker cannot sell new or certified used versions of the diesel vehicles equipped with the software.

"Concepts for solutions would be presented as soon as these are fully approved by the authorities," VW said in a statement, calling its interactions with the EPA "constructive dialogue" despite reported tension.

Mueller said the company is still working on a compensation plan for diesel vehicle owners through a fund to be administered by U.S. lawyer Ken Feinberg, who also managed the General Motors ignition-switch victim fund.

His appearance in Detroit comes against the backdrop of the company's slumping global sales, which fell below 10 million units in 2015.

The company's global sales, encompassing eight brands such as VW, Audi and Porsche, fell 2% from 2014 to 2015 to 9.93 million units. The emissions scandal contributed to a 5.2% global decline in December for all of Volkswagen Group, compared to a year earlier.

Consequently, Japanese automaker Toyota is likely to maintain its lead as the world's largest automaker when it reports its global sales figures.

Mueller reiterated Sunday that Volkswagen is no longer laser-focused on size, saying the company would outline a new 10-year roadmap next year.

Key to Volkswagen's strategy for rehabilitating its image is a new emphasis on electric vehicles. The company plans to introduce 20 electrics or plug-in hybrids globally by 2020

For now, though, the U.S. market is in desperate need of bigger vehicles to give dealers something to sell to U.S. consumers who are fleeing small cars that VW has historically dominated.

Mueller said the company's new seven-seat Tiguan will begin production at its factory in Puebla, Mexico, in 2017.

The company is showing off an all-new Tiguan GTE Active Concept sport-utility vehicle at the North American International Auto Show.