

## VW takes apology tour to L.A. show, readies U.S. repair plan



VW America chief Michael Horn is mobbed by the media at the L.A. show

*Photo credit: Reuters*

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LOS ANGELES (Bloomberg) -- Volkswagen made even more public acts of contrition at the Los Angeles auto show on Wednesday.

Before showing off new models, VW of America CEO Michael Horn took the stage and apologized again to customers and dealers for the deceptive software that the company used to sidestep U.S. emissions requirements on its diesel-powered cars. Horn also said that the company will soon have a remedy for the almost 500,000 cars sold in the U.S. involved in the scandal.

Horn is trying to keep goodwill with his dealers and customers as the company works to find a way to fix its diesel vehicles while minimizing degradation of horsepower and fuel economy. The company said it is also cooperating with the California Air Resources Board (CARB) and the U.S. Environmental Protection Agency (EPA) in hopes of earning some leniency when the regulators eventually decide on a punishment.

"There is frustration, and there is sometimes anger, but also support from lots of our Volkswagen customers. All these reactions are fully understandable, since everybody at Volkswagen of America lives

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exactly through the same emotions," Horn said. "We've apologized, and we can't stop apologizing, because it continues. And we need a remedy to our customers, our dealers and the American people. But we completely understand that apologies are not enough."

### **Remedy plan**

VW faces a Friday deadline to present a remedy plan to California regulators for four-cylinder diesel engines that emit as much as 40 times the allowed amount of smog-producing nitrogen oxide. A similar meeting in Germany is slated for Monday, said a person familiar with the plans.

A separate U.S. allegation about larger, six-cylinder engines remains in dispute and the company is still investigating its own discovery that hundreds of thousands of cars have misstated information regarding to their carbon dioxide emissions, which is related to fuel consumption.

VW is talking to CARB to come up with a solution to fix its cars, said Chairwoman Mary Nichols, in an interview Wednesday at the auto show. The company had met fuel economy rules, but adding hardware to clean the diesel exhaust and meet emissions rules could be expensive. It could also cut the horsepower of the cars, which could open them up to litigation from consumers.

"We're awaiting the submittal, and we're looking forward to having some discussions with Volkswagen and narrowing down the details of a recall program that will not only fix all the cars that can be fixed, but will also provide mitigation for the harm that's been done by the cars that are currently out there," Nichols said. "We're talking about past, present and future air emissions from any vehicles that can't get fixed. So we need to address all three of these things, and we'll be discussing this with Volkswagen when we see their plan."

VW hasn't yet indicated how it will fix the cars. The company probably doesn't yet have a plan, said Michelle Krebs, an analyst with AutoTrader. "I'm not sure they have answers," she said. "Yes, you have

to apologize. Yes, you have to continue doing business. But what everyone's waiting for is a comprehensive plan.”

### **Emission standards**

VW's cars didn't have a urea-injection system, which other carmakers such as Daimler and General Motors have used to clean emissions and meet standards in the U.S. and other markets.

Mark Reuss, GM's executive vice president of product development, said it will be difficult to find a solution for the cars that will meet emissions and not affect the performance of the cars. It's also difficult to meet regulations without using a urea system, he said.

“I'm not aware of an easy fix,” Reuss said. “Perhaps this is the reason for urea injection in all of our diesel models.”

Handling the fix will be a big test for Volkswagen. Brands can actually improve their reputation through a recall if it's done right and exceeds customers' expectations, as Toyota's Lexus and GM's Saturn showed decades ago, said Krebs of AutoTrader.

### **Loaner cars**

“They have got to make it as easy on the consumer as possible,” Krebs said. “We did a study this summer and the No. 1 thing an automaker can do is give loaner cars.”

In addition to the initial Volkswagen and Audi models that were found to have cheated emissions tests for their 2.0-liter diesel engines, CARB and EPA said that several Porsche and Audi vehicles had also cheated. Those models have 3.0-liter, V-6 diesel engines. VW denied those engines cheat the tests, but they stopped sales of implicated models.

“At the moment, we are examining the allegation” by the regulators, said Detlev von Platen, who is Porsche's global sales boss and the former president of its North American unit. “I want to tell you that Porsche takes this very seriously.”

## **Diesel models**

The widening emissions scandal that has engulfed Volkswagen hasn't affected competing brands such as Nissan or BMW that continue to introduce diesel-powered models, executives at those companies said.

"It hasn't impacted us at all," BMW of North America CEO Ludwig Willisch said in an interview Wednesday. "Diesel is only 6 percent of our business, and there's been no discernible impact."

Daimler's Mercedes-Benz said the luxury brand will sell a diesel version of its all-new GLS SUV. The VW scandal may hurt the popularity of the diesel engine, said Steve Cannon, CEO of Mercedes-Benz USA.

"There certainly will be fallout in the market from VW," Cannon said in an interview. "We have a diesel following in our trucks, but that has come down in recent years. We can just sell gasoline SUVs."