

VW's Dealers Fume While Waiting for Diesel-Car Fix

Coming wagon and SUV offer ray of hope for U.S. dealers unable to sell nearly 12,000 vehicles



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A customer and sales manager talk at a Volkswagen dealership in Glendale, Calif., last year. Volkswagen dealers are planning to meet soon with company officials on a halt-sales order affecting about 12% of inventories nationwide. *PHOTO: DAMIAN DOVARGANES/ASSOCIATED PRESS*

By
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[Volkswagen](#) AG's effort to reverse its U.S. sales slump will get a jump start with the launch of two new vehicles in hot-selling categories. It is bringing out a small wagon in the next several months and a family-size sport-utility vehicle in early 2017.

<http://www.wsj.com/articles/vws-dealers-fume-while-waiting-for-diesel-car-fix-1468604636>

Their advent follows last month's court-approved agreement for Volkswagen to pay up to \$14.7 billion to settle emissions-cheating claims by U.S. customers and regulators. The moves aim to resolve the lingering scandal and reverse the sharp declines in market share and volume since the furor erupted last September.

While U.S. dealers say they welcome the coming Alltrack wagon and a seven-passenger SUV, they are still waiting for guidance on what to do about 12,000 diesel-powered vehicles they aren't allowed to sell. The thousands of Volkswagen TDI diesel-powered vehicles have been sitting idle for almost 10 months while the German auto maker and U.S. regulators weigh a fix to the company's use of illegal emissions software.

On Wednesday, California regulators rejected a proposed fix for Volkswagen vehicles with larger diesel-engines, which are in some of the vehicles barred from sale. A Volkswagen spokeswoman said the company is continuing to secure approval for the 3.0-liter-engine vehicles "as quickly as possible."

Matthew Welch, general manager of Washington-state dealer Auburn Volkswagen, said he looks forward to putting the cars back on the market. "There is quite a bit of pent-up demand for TDIs right now," he said. Each week about five current Volkswagen owners or prospective customers ask about the cars. He predicts the 21 unsalable units he has will "sell out quickly," once repairs are made.

Volkswagen says it has a fix, but regulators still need to approve it; when that will happen is still unclear. Dealers plan to meet with Volkswagen officials as early as next week for clarification on when buyers will be helped by the settlement, and they will be looking for signs that the stock of unsold inventory will have a timetable for repairs.

Of course, U.S. auto dealers in general have had to get accustomed to having unsalable cars on their lots, particularly as a flood of safety recalls has hit the market. Stop-sale orders are now common, often affecting newly launched vehicles that have robust demand; or broader actions like the [Takata](#) Corp. air-bag recall that can affect lots of existing inventory.

‘It’s a big hit...’

—Matthew Welch, Washington dealer

Volkswagen’s pickle is unique because of how long the vehicles have sat and the role that its diesel cars play in the U.S. market. Volkswagen is the largest seller of diesel-powered passenger cars in the U.S.

“It’s a big hit when you take out 25-30%” of cars you can’t sell, Mr. Welch said.

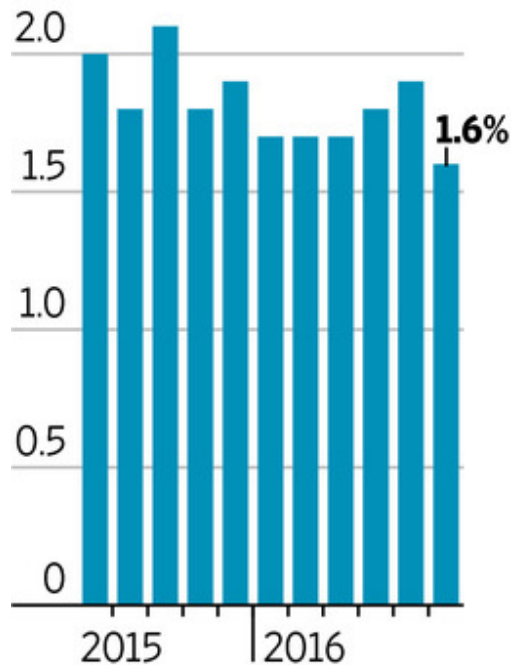
The nearly 12,000 TDI (turbocharged direct injection) models that Volkswagen can’t sell represent 12% of the company’s total unsold inventory in the U.S., according to data provider WardsAuto.com. Diesel light-vehicle sales—excluding light pickup trucks—have plummeted in the wake of the Volkswagen scandal, with the 11,682 diesel passenger cars, crossovers and SUVs sold this year through June representing an 80% drop from a year earlier.

Volkswagen has long been the top seller of diesel passenger cars in the U.S. While the technology is generally more fuel-efficient than gasoline and popular in Europe, Americans have generally shied away from diesel engines and few auto makers even offer them in sedans, wagons or SUVs.

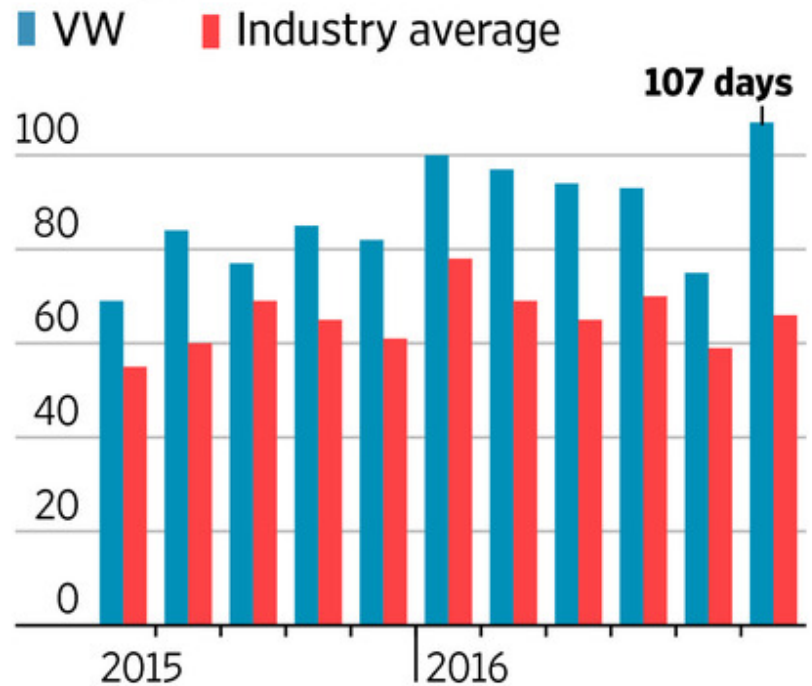
Stalling Out

Volkswagen’s market share has slipped since the emissions crisis emerged in September. Inventory on dealer lots has ballooned amid falling sales and tainted diesel cars it isn’t allowed to sell.

VW’s U.S. market share



Days supply of inventory



Source: Autodata (market share); WardsAuto.com (inventory)

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The lack of diesel supply has put the company’s 650 U.S. dealers including Mr. Welch in a bind. Not wanting the unsalable stock in sight of customers, he stores the TDIs at a vehicle-prep station down the block from his dealership.

He said Volkswagen is compensating his dealership so the store doesn’t have to incur the cost of financing or servicing the cars. Mr. Welch said the dealership maintains the cars periodically: checking batteries, fluid levels, and driving each to make sure they remain operational.

“We call it care and feeding,” he said. Volkswagen covers 30 minutes of this type of work once a month on each of the TDIs.

‘I want them to take [the cars] back to Germany...’

—Jack Fitzgerald, Maryland car dealer

At Fox Volkswagen in Rochester Hills, Mich., the sales freeze has resulted in a showroom that features only gasoline models and fewer vehicles on the lot outside. The business’s roughly 16 diesel-engine cars—a mixture of Passats, Jettas, Touaregs and others—are stowed on a lot away from the dealership, according to a dealership sales consultant.

Jack Fitzgerald, a Maryland Volkswagen dealer who normally gets a third or more of sales from diesel-powered cars, says the scandal and the glut of inventory have soured his view of Volkswagen’s senior management. His solution for the embargoed stock: “I want them to take [the cars] back to Germany or to some part of the world where they can comply with emission standards,” he said.

He blames the crisis on mismanagement in Germany, where Volkswagen has its headquarters. And while he said his dealership has received some financial assistance from the auto maker, “I don’t think we’re on the front burner for Volkswagen,” he said.