



## Board questions VW namesake brand

### Attacks on German plants, in-house wage agreements and job security

VW's cost-cutting programme is leading to a major conflict between management and the General Works Council. At management meetings on Monday, the Executive Board led by CEO Thomas Schaefer admitted that the so-called Performance Programme launched back in 2023 had suffered severe setbacks. Further savings worth billions of euros would have to be made, otherwise the core brand would plunge into the red. As a result, the Executive Board is now questioning German plants, the VW in-house collective wage agreements and the job security programme running until the end of 2029. The General Works Council, led by its Chairwoman Daniela Cavallo, has therefore decided to inform the workforce and the public immediately before the first works meetings are held at the sites later this week. The details:

Parallel to the management briefings Daniela Cavallo announced fierce resistance and accused the Board of failure. The following became known around the meetings:

#### Core brand threatens to slide into the red

The contribution of EUR 10 billion targeted in the performance programme to sustainably strengthen profitability to a 6.5% margin is currently being offset by too many compensating items. Therefore, several billion euros will have to be carved out in addition. If the VW IP license fees from the China business and the high-margin sales of original spare parts are deducted, VW's earning power in its core automotive business has already weakened. The pressure is correspondingly high. In addition, the lack of parity between the margins of BEVs



Up there in the VW brand headquarters, the plan is already circulating: the Executive Board wants to jeopardise several factories, job security and collective bargaining agreements.

and those of combustion engine vehicles will further exacerbate the situation in the future if the share of electric vehicles in sales increases. The economic downturn that has persisted for some time now and customers' reluctance to buy vehicles are increasing the pressure. As a result, the brand's Board of Management considers at least one larger vehicle manufacturing plant and one component factory in Germany to be obsolete. This means that all German locations are in the spotlight - regardless of whether they are Volkswagen AG locations or subsidiaries, in western or eastern Germany. Fixed product and investment commitments are also at risk. For example, the Board of Management is questioning the so-called A-Main SUVe - the compact electric SUV model that will secure capacity utilisation in the Wolfsburg main plant from 2026 onwards. The future VW model Trinity, currently planned for Zwickau, is at risk of being delayed. In addition, the Board intends to terminate collective labour agreements in the coming days and seek a restructuring agreement. The job secu-

city concept is also in focus, which could pave the way to make forced redundancies possible.

**Daniela Cavallo**, Chairwoman of the General Works Council, is preparing the workforce for a tough confrontation: 'The Management Board has failed.



Daniela Cavallo

The result is an attack on our jobs, sites and collective agreements. This puts VW itself and therefore the heart of the entire Group at risk. We will set up a fierce resistance against this. With us, there will be no site closures. Instead of making one-sided savings at the expense of the workforce, we now need a strategic boost for the actual weaknesses: Product, complexity, processes, synergies. That is the plan we need. And this is not an issue for the VW brand alone. We are calling for the Group Board of Management to finally fulfil its responsibilities.' → Check following interview

# Call for action: Cavallo demands master plan, longer job security

**The struggling core brand with the VW logo is the root of the entire Volkswagen Group. And if the employees' side have their way, the namesake brand should also become a powerhouse again. Daniela Cavallo is therefore calling for a master plan with short, medium and long-term stages. The aim is to create commitment, security and prospects - as a counter-draft to the cost-cutting that Opel and Ford are currently experiencing. Cavallo's demands also include significantly extending the job security scheme, which runs until the end of 2029. The interview:**

**Daniela, how big is the crisis for the core brand really, how difficult is the situation?**

It's really tough and unfortunately there are many reasons to tackle the right issues right now. To put things in perspective: this time, we are not talking about short-term burdens like in 2020 during the production shutdown in the coronavirus crisis or in 2015/2016, when the penalties for Dieselgate resulted in losses. The brand's current crisis is structural and largely independent of short-term factors. If decisive countermeasures are not taken now, we are threatened to end up in a situation like that of the early 1990s, when jobs were in acute danger and in the end only the four-day week with loss of pay could save us.

**What is the core of the problem, what exactly is troubling the Volkswagen patient?**

Many wrong decisions have been made in recent years. This is now coming back to haunt us. To name just a few: The Board of Management under Herbert Diess thought hybrids were a niche market that would quickly become obsolete. The opposite is now the case - and we are largely left empty-handed. The first MEB vehicles didn't fit, their teething troubles were numerous and the design, especially the interior design, was not worthy of VW. They had to be painstakingly and expensively improved. This has been successful, the substance is now spot on - but paid twice at the expense of profitability. And we are still completely lacking affordable BEVs. This has created a financial hard time that will persist for some longer period to come. And even our new combustion models such as the Tiguan, Passat and the upgraded Golf won't save us. Although they are doing great, they have to cross-subsidise the problems. In the end, we lack the profit to invest in our future topics.

**Is the core brand a lost cause?**

It is a restructuring case. And that brings

us to the heart of the matter: the Board of Management is taking a completely wrong path. Instead of switching to offensive mode now and countering the failures of the past with a plan for the future, the austerity dictate is breaking out. Our R&D department is running on empty. Orders are being kept away from Wolfsburg in order to save money in the short term. For a centrepiece of our electric strategy, the future VW subcompact, we wanted to throw ourselves at a competitor and have it built by Dacia. The finance department wants to get away with cancelling entire models, such as the compact BEV-SUV planned for Wolfsburg from 2026. We are also being told that German plants are superfluous. And, of course, the labour costs are being unfairly bashed. As if they had any connection to the problems.

**Don't they? As an overall package, our in-house wage is slightly higher than average.**

A thought experiment helps to answer this question: if we woke up tomorrow and everyone at VW was paid the same as in the regional collective agreement for the metal and electrical industry in Lower Saxony, would that give the core brand the desired 6.5 per cent return? Would we then have a competitive product range and the necessary impact power in our processes to remain successful in 2030 and beyond? No, of course not! Even the fantasy of wiping a plant off the VW map doesn't change the actual deficits.

**And where exactly are they?**

In a nutshell: product, complexity, processes and last but not least: synergies across the entire Group. As the General Works Council, we are therefore calling for the 'Masterplan 2025 - 2030 -

2035'. Because it is precisely these stages that are important: We need to tackle the really important levers in the short term: our processes must finally become bolder and faster. This applies to both administration and the product development process. Anything that in the end is not relevant for our customers and not decisive for purchasing must be reconsidered. We need to reduce our complexity, our obsession with rules, our documentation madness and the many double and triple processes for safeguarding. This is all a management task! If you have your backside against the wall all the time, you won't get a team behind you.

**What do 2030 and 2035 stand for in the General Works Council's master plan?**

2030 is essentially about medium-term planning security for our sites and companies. Which factories will receive which products? How do we divide the future path between ICE technology and the BEV future towards CO<sub>2</sub> neutrality? What workforce sizes are associated? In other words, classic planning round topics.





### Will there now be more or rather less dialogue with the Executive Board?

More - but with the right people involved at Group Management Board level and in a holistic manner. We demand that the Group Management Board finally fulfils its responsibilities. We will not tolerate salami-slicing tactics in which the Executive Board calls locations into question, attacks our in-house wage agreements and no longer recognises the equal importance of profitability and job security. At the moment, rumours are flying. What we need now, however, are not Profit-Rambos who break their promises. Instead, we need well-rested top managers who are aware of their responsibility for the brand and the employees. And that brings us to 2035 in the master plan we have called for. We want to finally see the overdue target images for the core brand, from which all those involved can derive where they want to be in ten years' time. At the moment, I have to say: The Board of Management is questioning nothing less than the entire VW core brand. We will not allow anyone to shut us down here.

### In Germany, Volkswagen has never closed sites. Will the taboo now be broken?

Once again: With me, there will be no VW plant closures! Instead, we demand a long-term thinking - and not one running in the short term of the Board contracts. The current crisis is now primarily a financial one. The core brand tends to end up in the red. An that is obviously the point where one can separate the sheep from the goats: into those who think from quarter to quarter and into those who want VW to become the powerhouse of the Group again - to emerge even stronger from the lean period.

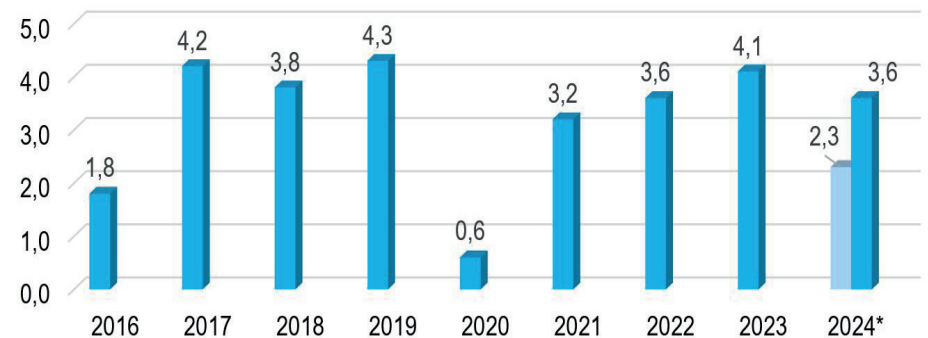
### Keyword Group: What role do you expect Group boss Oliver Blume to play?

The problem of the core brand is ultimately also the problem of the Group CEO. I expect Oliver Blume to get involved here too. He must set the direction, especially when it comes to the question of synergies. At VW, for example, there is currently an attempt to rethink vehicle production from body

*'We don't need Profit-Rambos who break their promises. Instead, we need well-rested top managers aware of their responsibility!'*

**Daniela Cavallo**  
Chair Group Works Council

### % Profitability (operating return on sales / margin) for the VW core brand



\* half-year stage. With negative special effects (cancellation agreements/restructuring expenses) the figure is 2.3%, without 3.6%.

The margin provides information about the profitability: with a recent margin of 2.3 per cent, VW only has a profit of 2.30 € from 100 € in sales, not including interest and taxes.

construction to the final assembly line in an almost revolutionary way. This project is called 'Game Changer'. We have learnt that two other brands are pursuing the same goal in parallel. This duplication of work must

finally stop! We can't all do everything all the time. Then nobody ends up doing anything right. Here we see the responsibility to the entire Group Executive Board.

**You have already clearly named some of the attacks here. How worried should colleagues be about their jobs and incomes?**

I said at the beginning that the situation is tough. That's exactly what I mean. I'm expecting an extremely exhausting round

of collective bargaining. But one thing is clear: we will not allow ourselves to be robbed of what we have fought hard for over decades. This also applies to our job security, which we want to extend well beyond 2029.

### Have you just made a new demand for the VW in-house bargaining round?

No, our package of demands has been finalised. But let's be clear: we are facing a perfect storm. In the middle of the crisis, we have to negotiate on three heavyweights at once: the VW in-house wage, the next targets in the Performance

Programme and the planning round for our investments in the coming years. For us, everything is interconnected. It is unthinkable to negotiate this in stages.

### What about your allies?

Both IG Metall and the state of Lower Saxony know what is at stake here - for the future success of the company, for our regions and their employees with their families. Our lines are correspondingly short at the moment. To Berlin too, by the way. After all, the future viability of industry in this country is also at stake, as is the corresponding signalling effect. We at VW will not allow Germany to end up in sell-out as an industrial location.

### And what happens next?

**Monday's meetings of managers from the core brand in the Autostadt venue (on-line) at Wolfsburg HQ and later the day in Isenbuettel near Wolfsburg (physically) only marked the kick-off to a turbulent week. It remains to be seen how the Executive Board now intends to inform the workforce. There will be a non-public works meeting at the main plant on Wednesday, 4 September, starting 9.30 am. The Management Board will have to speak out there at the latest. The start of the in-house bargaining round has not yet been finalised. First negotiations are expected to take place in October.**