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Cc: [REDACTED] (GROW); GROW DDG1
Subject: Meeting between Ms. Evans and [REDACTED], Volkswagen Group

Meeting between Ms. Evans and [REDACTED]

Tuesday, 28 June 2016 at 16h00 – 17h30

Participants:

GROW: Lowri Evans, Antti Peltomäki, [REDACTED], [REDACTED]
VW: [REDACTED], [REDACTED], Dr. Christof-S. Klitz (Head of Office VW EU Group Representation)

Ms. Evans thanked the representatives of VW for their visit and outlined the purpose of the meeting as follows:

1. An improvement of the factual understanding of the situation in terms of VW's activities in terms of fixing affected vehicles;
2. A discussion on trust and consumer compensation

1. Factual understanding of the situation

- Ms. Evans explained the interest to fully understand at a technical level the fixes undertaken in the US and in comparison, the fixes undertaken in the EU.
- [REDACTED] underlined that the VW Group deeply regretted the emissions fraud incidence and that the issue of trust was of key importance. The latter had been partly damaged.
 - The company's efforts focus on fixing the problem in the US and the EU
 - In the US, other VW brands, including Audi, Porsche and Bentley were doing very well, while all diesel sales have stopped. The group is still waiting for approval for the fixes by US authorities. On diesel specifically, the market share in the US is at 3%. A special issue existed with the VW passenger brand, for which sales have suffered.
 - On the fixing specifically:
Situation in the EU
 - All affected cars are fixable (mainly software fixes).
 - Cars did not have a defeat device as KBA has a different interpretation to the US with regard to the use of the software. Ms Evans put a reserve on this interpretation from the Commission side.
 - So far, VW received the approval for the fixes of KBA and VCA for 3.7 million cars out of 8.5 million cars on the EU-28 markets. Further approvals are expected in the course of this year.
 - In the approval process, KBA classifies cars by clusters: so far 2.0 l engines have been approved, smaller engines of 1.6l, 1.2l to follow. VCA follows similar approach (mainly 2.0l Skoda engines).

- Letters are being sent out to customers, fixes will start in the summer, the fixing process should be fully completed by Q1 2017.
- After the fix, the cars will perform better (RDE tests by auto magazines confirmed improved fuel consumption, noise levels, acceleration, CO2 values). There will be no impact on the maintenance (strict conditions imposed by KBA). Customers will receive a certificate after the fix for future controls by technical services (e.g. TÜV).
- A short discussion took place on thermal windows, one of the findings of the KBA investigation. For VW, there is no problem with the exception of a light truck vehicle, a voluntary recall is envisaged

Situation in the US

- The engines sold in the US are not the same as in the EU (in particular 2.0l engines)
- Regulations are much stricter on NOx (difference also between Californian and federal law) and up until now no technical solutions have been found for a number of the affected engines. Some long-term testing for the fixes is ongoing, but the result is unsure. The new software solution will have to be negotiated with the EPA.
- A specific issue exists with the 3.0 l engines, for which a software was used which did not receive prior approval as part of the emissions strategy. This software is related to the catalytic converter which regulates the heat and activates the exhaust system. This would not be a specific emissions problem but is related to the approval process. There is no similar issue in the EU.
- Software keys are being erased so that the software is completely clean. VW will be signing declarations with EPA that the cars are fully compliant.
- VW is still deciding on whether to go back to the US market with Diesel (all sales currently suspended). It will depend on how expansive the fixes will be.

2. Trust and consumer compensation

- Ms Evans inquired on VW's plans to increase trust with consumers and on possible damages experienced through the scandal.
- [REDACTED] confirmed that the sales figures, customer reactions and media monitoring analyses so far indicated no mistrust; incoming orders would be rising, the general belief in the VW brand was good and the reselling value of VW cars had increased. Overall, business increased by 5% in comparison to last year, but noticeable losses in South America, Russia, Ukraine. China is growing at a lower level at 6%-7% than before;
 - As regards the repairs, VW will take over all costs and possible compensation measures, like a replacement car, that ensue the fixing process.
 - Customers might receive extended warranty of their cars. There are no earmarked funds for any consumers, any customer-specific relationship is dealt with by the dealers. There will be no compensation to consumers.
 - The cars will be better than before and the residual value of VW cars has gone up according to latest statistics
 - The Comms department is monitoring the situation, according to which the attention has declined by a fourth in comparison to the beginning of the crisis. No issues in terms of customer compensation/expectations based on media reports.
 - Based on indications so far, no real request for compensation in the European market
 - On court cases, out of the 2.8 million customers in Germany, 200 individual court cases are pending

- So far, there are 12 court decisions: 10 were rejected, 2 were lost from VW's side (1 appeal launched), the rest is pending. In the Netherlands, an initiative from a Dutch foundation is offering class action support, VW will provide more information on this to the Commission. No information so far on other EUMS (UK, Poland?).
- On the corporate structure, Ms Evans inquired who is in charge for monitoring the situation and any consumer relationships. [REDACTED] explained that each brand has their own indicator monitoring, the corporate decision making takes place at the Wolfsburg HQ.
- VW will come back with figures on how much is spent on advertising and PR.

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