

# Scandal-hit VW turns its sights to electric cars

Frankfurt, Germany: Embattled auto giant Volkswagen unveiled on Thursday plans to launch more than 30 all-electric models by 2025 as it seeks to reposition itself as a leading player in environmentally sustainable modes of transport.



Norsk Elbilforening (Norwegian Electric Vehicle Association) via [Wikimedia Commons](#)

VW, currently entangled in a global engine-rigging pollution scandal, said in a statement that it plans to launch "more than 30 fully electric models" by 2025, which would account for annual sales of between two and three million vehicles or 20-25 percent of the group's global sales.

## A strategic re-think

Presenting what he described as the "key building blocks in the new group strategy," chief executive Matthias Mueller said VW aimed to "transform its core automotive business or, to put it another way, make a fundamental realignment in readiness for the new age of mobility."

VW would focus on "the most attractive and fastest-growing market segments," he said. "Special emphasis will be placed on e-mobility. The group is planning a broad-based initiative in this area: it intends to launch more than 30 purely battery-powered electric vehicles over the next ten years," he said.

VW, which has so far not been particularly active in the electric car sector, estimated that such vehicles "could then

account for around a quarter of the global passenger car market." The strategic re-think has become necessary in the wake of VW's deepest-ever crisis after it came to light last September that it had installed emissions-cheating software into 11 million diesel engines worldwide.

It has already set aside 16.2 billion euros (\$18.2 billion) in provisions to cover the potential costs of the scandal. But experts believe the total cost could come out much higher.

## **Size is not the goal**

VW, which owns 12 brands in all, ranging from Volkswagen to Audi and from Porsche to SEAT, has abandoned its long-cherished goal of becoming the world's biggest car manufacturer, ahead of Toyota.

"Size is not a goal in itself," said CEO Mueller, who was parachuted in to steer the group out of crisis, actively distancing himself from the philosophy of his predecessor Martin Winterkorn.

## **Ride-hailing division**

Another part of VW's "Strategy 2025" would be to set up a brand new "cross-brand mobility solutions business," Mueller announced. The new division would "develop and acquire offerings tailored to customer requirements - centering on and starting with ride-hailing, ie. on-demand mobility services." Volkswagen already secured its first foothold in the ride-hailing segment at the end of May, when it invested in a strategic partnership with on-demand mobility company Gett, it said.

"In a rapidly expanding market, Volkswagen's aim is for the new mobility solutions business unit to generate sales revenue in the billions by 2025," with the overall market for such services forecast to be around 35 billion euros, Mueller said.

## **VW gearing itself for profitable growth**

In order to be able to finance such ambitions, VW aimed to "gear itself systematically to generating profitable growth," which meant improving efficiency and profitability, the CEO continued.

"Over the coming years, we will do all we can to continuously create value for our shareholders based on a solid financial position," said finance chief Frank Witter. VW said that its operating return on sales stood at 6.0 percent in 2015 and that "the aim is an increase to between seven and eight percent by 2025."

Mueller said VW planned to "realign" its components business, which currently accounts for around 67,000 employees at 26 locations worldwide. "The relevant activities are to be systematically combined across all brands and strategically realigned," he said.

VW also planned to become a "global champion" in the commercial vehicles business, where it owns the Scania, MAN and Volkswagen Commercial Vehicles brands.

## **Investors still sceptical**

But analysts at DZ Bank said they remained sceptical. They estimated that VW would have to achieve efficiency improvements of up to eight billion euros in order to attain its profitability goals. "The details are still missing," the analysts wrote in a note to investors. "The announced steps need time to become visible in VW's reporting.

Without any additional details on planned measures as well as on Dieselgate, we stick to our sceptical view on VW," they concluded.

Investors also seemed unconvinced and VW shares were among the biggest losers on the Frankfurt stock exchange on Thursday, shedding 2.5 percent, while the overall market was down by 1.1 percent.

*Source: AFP*

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