

# The Washington Times

Sunday, October 19, 2008

## German engineering

Jeff Canning THE WASHINGTON TIMES

Stefan Jacoby, president and CEO of Volkswagen Group of America, is hoping to put the German car company through some growing pains now that it is settling into its new home in Herndon.

Volkswagen's U.S. subsidiary began its move from Auburn Hills, Mich., in April. About 110 employees made the move from Michigan and work beside about 200 co-workers who were recruited from the Washington area and across the nation.

So far, Mr. Jacoby is pleased with how the transition is going.

"The dealers actually confirmed that there has been no noticeable difference whatsoever," Mr. Jacoby said. "Today, I can actually say that the move went absolutely smoothly and I can really say it has been a great success."

Mr. Jacoby thinks Volkswagen will benefit from Northern Virginia's diverse service industries and talented work force, proximity to Washington Dulles International Airport and political support from Richmond.

Virginia Gov. Tim Kaine, a Democrat, attended the grand opening of VW's U.S. headquarters after his administration worked to lure the automaker to Northern Virginia.

"This company clearly is a very visible and a very welcome new player to Northern Virginia, and we hope to be a good partner for them as they will be a good partner for us," said Liz Povar, director of business development division of Virginia Economic Development Partnership.

Mr. Kaine approved a \$4.5 million incentive grant to help persuade VW to come to Virginia. The commonwealth expects a sizeable return on its investment, including \$65 million in taxes over 20 years, not to mention added jobs for Virginia residents and a boost for local commerce.

Volkswagen has already begun to give back to the community it now calls home by donating \$2.1 million to area schools and universities. VW also signed a five-year sponsorship deal in May with D.C. United, the Major League Soccer team, to demonstrate its commitment to the Washington area.

The move here reflects Mr. Jacoby's vision for where the company needs to go to expand its market share in the United States. Volkswagen now clings to a 2 percent share of the U.S.

market, while foreign competitors such as Honda and Toyota are thriving here with market shares of 11.8 percent and 16.9 percent, respectively.

"The move from Michigan to Herndon is one puzzle piece in the overall strategy to be a bigger automotive player here in the United States," Mr. Jacoby said. "Globally, we are the No. 3 in respect to volume, but one of our weakest parts is in the United States."

Mr. Jacoby attributed VW's difficulties building U.S. market share to three key problems: not listening to American consumers, making mistakes with quality and dealing with an unfavorable exchange rate.

Since taking the helm in September 2007, Mr. Jacoby has made some changes to help the company improve its position in the United States.

The biggest step VW is taking is construction of a \$1 billion assembly plant in Chattanooga, Tenn. - VW's second attempt to establish a manufacturing presence in the United States. Its first attempt began in 1978 in New Stanton, Pa., but ended a decade later after five consecutive years of losses.

VW's new plant will produce a sedan that is made by American workers and targeted specifically at the American market. The plant will also help free VW from a weak currency exchange rate, allowing the company to price its products more competitively.

Groundbreaking for the Tennessee plant is set for next month; production is expected to start in 2011.

Meanwhile, Volkswagen has rolled out five new U.S. models this year, including the Passat CC sedan, Tiguan midsize sport utility vehicle, Jetta Sport Wagon, Routan minivan and the Jetta TDI, a sporty car that runs on clean-burning diesel and set a Guinness world record for fuel efficiency, averaging 58.82 miles per gallon on a trip across the continental United States.

Mr. Jacoby is hoping these new cars will help VW reach its goal to sell one million VW and Audi vehicles a year in the United States within the next 10 years. Volkswagen's previous U.S. success peaked in 1970, when it sold 569,696 vehicles and built a 7 percent market share.

Bruce Wilson, general manager of Wes Greenway's Alexandria Volkswagen, is rooting for Mr. Jacoby and appreciates his involvement with VW's dealerships.

"We were the first dealership he came to after the move to Virginia," said Mr. Wilson. "He's a very hands-on guy - much more so than previous Volkswagen officials. He loves to get into the showrooms and see what's going on."

Mr. Jacoby, a 50-year-old native of Hanover, Germany, has been an auto enthusiast his entire life and was attracted to the auto industry at an early age.

"It's a very high-technology consumer industry with rapid changes, and it is a very competitive product because of the big market," Mr. Jacoby said. "It provides mobility, provides fun, provides independency and that has always fascinated me."

He started working for Volkswagen in 1985 after graduating with a master's degree in business administration from the University of Cologne. He said the means for his advancement are very simple.

"I'm always guided by 'do my job that I have right now best' and don't think about the next goal or objective," Mr. Jacoby said. "If I do my best for today's job, everything else comes by itself."