

Volkswagen to Recall 8.5 Million EU Vehicles

By Whitney Florian, J.D. Candidate 2017 | October 27, 2015

On October 15, [Volkswagen](#) announced plans to recall 8.5 million diesel vehicles in Europe, after Germany's Federal Motor Transportation Authority ([KBA](#)) ordered a compulsory recall of 2.4 million vehicles in Germany earlier that day. Volkswagen's decision to adopt a broad interpretation of the KBA order reflects the company's challenging task to [remedy the 11 million vehicles worldwide](#) that contain illegal defeat device software, which temporarily lowers vehicle emissions for testing purposes. The KBA has demanded that Volkswagen remove the software in these diesel engines and ensure that the vehicles meet emissions standards.

A recall of 11 million vehicles by a single automaker would be among the largest in history. Volkswagen has indicated that the completion of the repairs may extend into 2017, and the cost of the repairs may exceed 6.5 billion euros. While software must be replaced in the 1.2- and 2-liter engines, the 1.6-liter models require additional expensive hardware to meet emissions standards. Furthermore, some analysts estimate that lawsuits and regulatory fines, in addition to repairs, may [cost Volkswagen up to 35 billion euros](#). After the recall announcement, Volkswagen shares were down 3.2 percent; the company has lost over a quarter of its stock market value since Volkswagen revealed the emissions deception on September 18.

In the wake of the emissions scandal, Volkswagen faces a number of lawsuits and investigations worldwide. Austria's transportation ministry announced on October 15 that affected Volkswagen models will be recalled in Austria. Italian prosecutors are investigating local Volkswagen managers for alleged fraud. In addition, the United States Environmental Protection Agency ([EPA](#)) will order a recall on the nearly half-million affected vehicles in the U.S. only after the EPA performs its own testing to confirm that Volkswagen's proposed repairs will meet emissions standards.

Although a company may not be held liable for a crime under German criminal law, individuals responsible for the wrongdoing may be prosecuted. In such cases, it is not uncommon for chief executives to answer for their companies' misdeeds in court. Volkswagen's emissions scandal forced the [resignation of long-time CEO Martin Winterkorn](#), who accepted responsibility for the deceptive software while simultaneously denying misconduct or awareness on his part. Volkswagen also [suspended Falko Rudolph](#), who oversaw the development of diesel engines from 2006 to 2010, in addition to three top engineers. Volkswagen is facing mounting pressure from investors, consumers, politicians, and regulatory agencies to identify those responsible for the installation of the deceptive software.