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In these columns INTERECONOMICS sets upon, in loose sequence, to depict, and comment on, the activities of German companies of world rank. It is the intention thus to contribute towards the deepening of international relations in the private sector of the economy.

Wilting down the "Beetle"-Myth?

With its consolidated turnover of approximately DM 14,000 mn the Volkswagenwerk AG heads the list of German industrial companies and stands out, with a 1969 production of over 2 mn vehicles, as Europe's largest producer of motorcars. Its activities extend over the whole world, and production plants and a network of distributive organisations are maintained in Brazil, Mexico, South Africa, USA, Australia, Canada and France. Including Volkswagen subsidiaries and associated companies both in Germany and abroad the company ranks fourth among the world's leading producers of motorcars close behind Chrysler, ahead of Fiat, and it stepped up its share in world markets from 6.4 in 1968 to 7.2 p.c. in 1969.

Reconstruction after the War

How was this achievement possible? After the heavy air raids during World War II the reconstruction of the company commenced practically from nil. One did succeed, by 1948, in producing a modest 20,000 motorcars. In the wake of the end of the government controlled economy and the ensuing forceful economic upswing, production grew rapidly. Under the leadership of Heinrich Nordhoff a unique network of distribution and service was built up simultaneously. Today, more than 9,000 service stations are in business in over 130 countries to look after the "beetle"

and its sisters. In Germany itself there are more than 2,400 such service points at the disposal of the company's customers. Over 17 mn Volkswagen have so far been sold throughout the world, predominantly the 1200-model though today mainly the 1300 and even the 1500-version of the "beetle".

It has been the compact car boom in the USA that enabled the European motorcar industry last year to score its biggest marketing successes in America so far. This boom for small cars has made the Volkswagenwerk in Wolfsburg the world's largest exporter of motorcars. But it was this boom, too, that awakened America's producers of motorcars from their Beauty Sleep and shook them into action by way of declaring battle against all imported cars. In the period from 1963 to 1969, VW alone increased its share in the US passenger car market from 3.2 in 1963 to 5.2 p.c. in 1969. The company's present situation is therefore viewed optimistically also for the future especially because the company's export quota after a steady increase fell for the first time from 70 p.c. in 1968 to 66 p.c. in 1969 in favour of the domestic market.

Sixty p.c. of the share capital of DM 750 mn are owned by about 1 mn shareholders. The remaining 40 p.c. of the share capital are to 16 p.c. in the hands of the German Federal Government, 20 p.c. are owned by the Land of Lower Saxony

and 4 p.c. by the „Stiftung Volkswagenwerk“ (Volkswagen Foundation).

Domestic and Foreign Participations

The numerous VW-participations embrace production enterprises as well as companies engaged in distribution, finance and insurance. The acquisition of the Auto-Union GmbH in 1965 and subsequently, in 1969, the merger of this company with the NSU Motorenwerke AG into the "Audi NSU Auto-Union AG" made this VW-subsidary the third-largest motorcar company under German ownership, only Volkswagenwerk itself and Daimler-Benz AG ranking higher. Recently VW also acquired the third-largest German rent-a-car firm, the "Selbstfahrer-Union" of Hamburg, securing for itself at once a 16 p.c. share in the German rent-a-car market of 22,000 vehicles.

In most countries VW vehicles are distributed by independent importers. In important countries such as France, USA and Canada the parent company has its own sales organisations. In Brazil, Australia, Mexico and South Africa the organisations are linked to its production plants. These organisations, more often than not, include company-owned finance and insurance companies. It has long been proved that a large number of motorcars in operation in any one highly motorised country is not the result of that

Table
Production (1,000 units)

	1966	1967	1968	1969
Domestic (excluding the manufacture of certain parts abroad)	1498	1154	1558	1843
Foreign	152.1	185.3	219.4	251.2
Volkswagen do Brasil S.A. incl. Vemag S.A.	95.1	126.4	155.0	178.2
Volkswagen of South Africa Ltd.	21.9	21.7	27.0	34.1
Volkswagen de Mexico S.A. de C.V.	18.5	17.6	23.7	24.4
Motor Producers Ltd. (Australia)	16.6	19.5	13.7	14.5
Total	1650	1339	1777	2094
Foreign in p.c.	9.2	13.8	12.3	12.0

Sources: Company Report 1968 and own calculations.

particular country being a rich one. It is rather the other way round: those countries are rich because of there being so many motorcars. For instance in Brazil, where the most important Volkswagen subsidiary exists, this truth has been recognised at an early stage. Volkswagen do Brasil S.A., whose production amounted to 180,000 motor vehicles in 1969, is now the largest industrial company in South America and, indeed, the largest German company operating abroad. With the exception of Australia, there is a development of high growth rates of production also in the other countries with Volkswagen production plants (see Table).

Production and Employment

Being an enterprise within one of the most vital key industries, Volkswagen is of importance also for German economic policy as a whole. There are 9 VW production plants in Germany, and with its order book worth some DM 6,000 mn the company can rightly be looked upon as the greatest single entity in the private sector of the economy branching out orders to other sectors of industry in Germany. The company employs more than 170,000 persons. About the same number are employed in sales' and service organisations, and as many workers again find employment in directly connected branches

of industry. Counting also the members of their families, the existence of more than one million people in Germany and abroad depends on the Volkswagen concern. And it should be noted in this connexion for American defenders of protectionism for the motorcar industry in their country that there are some 38,000 Americans employed within the network of distribution and service maintained by VW of America and that in 1968 alone advertising orders to the value of more than \$ 22 mn went to American firms, which means that with every imported motorcar new income is created—far from, therefore, merely a beggar-my-neighbour policy being pursued.

Through the "Stiftung Volkswagenwerk" (Volkswagen Foundation), there is also a direct link between VW and the promotion of science and technique in research, training and teaching. The Foundation receives the annual dividends on the shares owned by Lower Saxony and the Federal Government. It also receives the proceeds from the sale of the shares at the time of the partial denationalisation. Up to the end of 1968 the Foundation patronised about 2,000 projects to the tune of DM 930 mn.

To the Future without Worries

The question now arises what will happen in the future. The

"love-bug" (beetle) cannot for ever remain the enormous success it still is. With the incorporation of Audi/NSU an excellent structure of the concern has now been reached. An expansion of the production range in addition to the Volkswagens is in the coming, also via the Wolfsburg capacities. In the works at Neckarsulm, which in the long run might well advance to become the "Wankel"-centre, and in Ingolstadt, cars are produced which supplement Wolfsburg's programme. In addition to the Type 411, Volkswagen now offers the Audi-100 and will, in the foreseeable future, also market the much-entreated NSU-K-70—possibly under the VW-trademark. Backed by the services' network, all this might in a short while lay the foundation for, as it were, a new VW-philosophy. At the same time, the company has made sure of the future of the Wankel engine on the strength of having taken over NSU whose Ro-80 ranks among the most modern creations of sophisticated designing and building of motorcars, and, furthermore, a common distributive company with Porsche KG for sports cars has been established.

The turnover figures of the new "divisions" justify this decision. They exceeded the 1968 results in Germany by 43 p.c. against 10 p.c. with Volkswagenwerk AG alone and 19 p.c. in the concern world-wide.

Coming months will show in how far the new strategy also brings successes vis-à-vis the suddenly announced masses of "anti-beetles". It seems a good thing that Volkswagen will no longer rely completely on the one-model philosophy even if it is to be expected that the "anti-beetles" will not turn out to become "beetle killers".

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