

## Global stunner: Link GM, Renault-Nissan

Kerkorian: Big shareholder proposes massive alliance; Renault-Nissan: Carmakers could buy up to 20% of GM; GM: Board will study surprising proposal



Bill Vlasic / The Detroit News  
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Renault-Nissan, the Franco-Japanese auto giant, is interested in buying a 20 percent stake in General Motors Corp. for more than \$3 billion and establishing a massive global alliance with the ailing No. 1 U.S. automaker that would shake up the auto industry.

The audacious plan was conceived in secret talks between billionaire GM shareholder Kirk Kerkorian and Carlos Ghosn, chief executive of Renault SA and Nissan Motor Co., according to people familiar with the situation.

Kerkorian, who owns a 9.9 percent stake in GM through his investment company, Tracinda Corp., went public Friday with a letter to GM Chairman Rick Wagoner that urged the GM board to immediately consider selling a "significant minority interest" to Renault-Nissan.

The prospect of a blockbuster three-way alliance sent GM's stock soaring. GM shares closed at \$29.79, up \$2.35, in trading on the New York Stock Exchange.

But there is no indication that GM, which is in the midst of an exhaustive restructuring of its North American operations, has any interest in a link-up with Renault-Nissan.

After an emergency meeting Friday, GM said the board would take Tracinda's proposal "under advisement," but gave no timetable for its deliberations.

Renault-Nissan, for its part, said it was open to expanding its alliance "under the right circumstances and with the appropriate partners," but pointedly added that GM's cooperation was essential to pursuing any deal.

"At this point, it is necessary that (the) GM Board and top management fully support this project in order to start the study of this opportunity after agreement of (the) Renault and Nissan boards," Renault-Nissan said in a statement.

### GM undergoing changes

An alliance between GM, the world's largest automaker, and Renault-Nissan, the fourth largest, would be the most important automotive deal since German automaker Daimler-Benz AG bought Chrysler Corp. in 1998.

But while both Daimler and Chrysler were healthy and profitable at the time, GM is undergoing wrenching changes in its effort to rebound from a \$10.6 billion loss last year.

GM is in the midst of shedding 35,000 U.S. hourly workers through buyouts and early retirements, as well as selling off its prized financial-services unit and helping reorganize bankrupt Delphi Corp., its biggest supplier.



General Motors Corp.	
Headquarters	Detroit
Employees	327,000
2005 revenues	\$192.6 billion
2005 net income	-\$10.6 billion
Key product	Chevrolet Silverado

Sources: GM, Nissan, Renault

[See full image](#)

### What happened

Investor Kirk Kerkorian said Renault-Nissan wants to form a global alliance with GM. Renault-Nissan confirmed its interest. GM said it would study the deal.

### What it means

If Renault-Nissan bought 20 percent of GM for an estimated \$3 billion it would create an auto superpower. GM could gain engineering, manufacturing and management benefits but could be distracted from its restructuring.

### What's next

In coming weeks, GM's board must decide whether to embrace the deal or risk a fight with Kerkorian, its biggest individual shareholder.

However, the pace of change is apparently too slow for Kerkorian, the 89-year-old casino mogul who began building his nearly 10 percent stake in GM a year ago and has lost more than \$1 billion on his investment.

Kerkorian first made contact with Ghosn in May through Jerry York, a senior Kerkorian adviser who was elected in January to a seat on GM's board of directors.

York, who has often cited the Nissan turnaround as a model for GM to follow, met in London with Ghosn, according to people familiar with the situation. An agreement was made that Ghosn would meet with Kerkorian at a later date in the United States.

### Deal discussed at dinner

Two weeks ago, Kerkorian and Ghosn met for dinner at a restaurant in Nashville, Tenn., where Ghosn was attending the opening of Nissan's new U.S. headquarters.

Their discussion focused on expanding the alliance between Renault and Nissan, established in 1999, to include GM. To cement a deal, Ghosn suggested that Renault-Nissan could purchase up to 20 percent of GM, which could cost \$3 billion or more, said people with knowledge of the meeting.

Several days later, York informed Wagoner of the Nashville meeting. Wagoner then discussed specifics of the meeting in a phone conversation with Kerkorian, people close to the situation said.

GM officials declined to comment on any talks.

The secretive nature of the talks blew apart Friday in filings by Kerkorian with the U.S. Securities and Exchange Commission.

The filings were in the form of two letters from Tracinda -- one to Wagoner, and the other to Ghosn and Louis Schweitzer, Renault's chairman.

In his letter to Wagoner, Kerkorian said a GM partnership with Renault-Nissan "could enable General

Motors to realize substantial synergies and cost savings and thereby greatly benefit the company and enhance shareholder value."

Kerkorian, a key player in the DaimlerChrysler deal of 1998 and several other megamergers, made it clear that the timing was ripe for GM to seek a global partner.

"Accordingly, we urge the (GM) Board of Directors to form a committee to immediately and fully explore this opportunity together with management," he said.

In the letter to Ghosn and Schweitzer, Kerkorian said a three-way partnership among Nissan, Renault and GM would collectively increase their competitive edge in a brutal automotive market.

"Tracinda believes that such a global alliance has the potential to materially strengthen the competitive position of all three companies in the increasingly challenging worldwide automotive industry," the letter said.

**News shook GM workers**

The news hits the automotive world like a bombshell, particularly in the offices and factories of GM, where workers were headed off on a two-week summer break.

Friday was also the last day of work for thousands of hourly GM workers who took the buyouts and early retirements that are the underpinnings of GM's downsizing.

But while Wagoner and his executive team had just hit an important milestone with the job cuts, Kerkorian proved that the drama never ends at GM.

"Kerkorian just turned up the volume of his voice just as GM management was getting its voice back," said Glenn Reynolds of the New York firm CreditSights. "The timing is interesting."

Analysts recalled how Kerkorian took a stake in Chrysler in the early 1990s, and gained influence on the automaker's management team that ultimately led to merger talks with Daimler-Benz.

"Kerkorian does not have a history of bluffing," said John Casesa, managing partner of Casesa Shapiro Group LLC in New York and a longtime auto analyst.

Other analysts, however, wondered whether Ghosn simply listened to Kerkorian's ideas without necessarily endorsing them.

"It is quite feasible that Mr. Ghosn listened to a proposal from Tracinda for GM to join the alliance," said John Murphy of Merrill Lynch. "We think it is unlikely that he would have dismissed this out of hand."

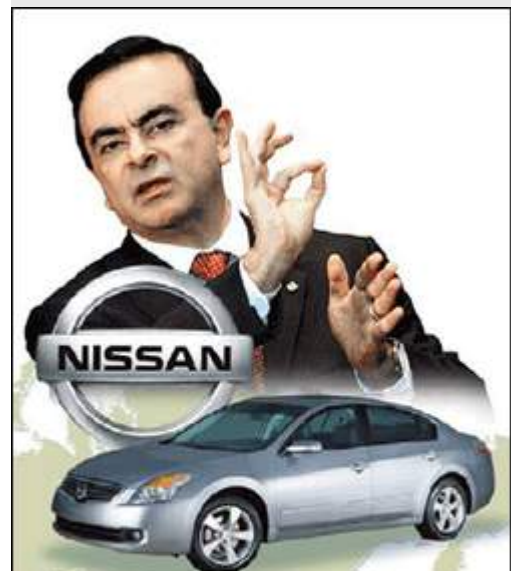
Murphy noted that the charismatic, Brazilian-born Ghosn -- who took the reins of a nearly bankrupt Nissan in 1999 and turned into one the industry's most profitable companies -- is not one to leave decisions to others.

"The bottom line if this was really happening, we would have expected to hear about this first from Mr. Ghosn," Murphy said.

Ghosn, 52, however, has previously told reporters that the alliance between Renault and Nissan could be broadened to include a North American manufacturer.



Renault	
Headquarters	Paris
Employees	126,584
2005 revenues	\$48.9 billion
2005 net income	\$4 billion
Key product	Mégane



Nissan	
Headquarters	Tokyo
Employees	182,273
2005 revenues	\$80.2 billion
2005 net income	\$4.4 billion
Key product	Altima

In 2005, Renault-Nissan approached Ford Motor Co. about a possible alliance, but dropped the idea after a lack of interest from the controlling Ford family, said people familiar with the discussions.

### **Alliance could be problem**

Partnering with GM could prove to be even more problematic.

Wagoner, 53, and his management team are just emerging from a torturous period that included wresting health-care concessions from the United Auto Workers and negotiating an attrition plan that reduces GM's U.S. hourly work force by one-third.

GM remains deep in talks with the UAW on a consensual restructuring of bankrupt Delphi Corp., which is a possible prelude to tough national talks on a UAW labor pact in 2007.

"It will be interesting to see how the UAW reads this given the non-UAW labor force at Nissan," Reynolds said.

The role of Kerkorian, 89, and his longtime associate York in starting alliance talks with Renault-Nissan could also ratchet up the boardroom discord at GM.

In April, the GM board -- at the urging of lead outside director George Fisher -- gave Wagoner an unusual public vote of confidence. The beleaguered CEO then went on a public-relations offensive to defend his job and GM's strategy.

But Kerkorian and York, 67, are known for pursuing agendas that may be at odds with corporate management. By going public with the Renault-Nissan idea, Kerkorian opens up a wider discussion on GM's strategic options.

"GM has literally been selling the family silver (liquidating assets) to raise cash," said David Kudla, chief executive of Mainstay Capital Management in Grand Blanc. "This partnership would provide cash along with a potentially rewarding strategic alliance."

Kerkorian could also be testing the waters for other potential partners or bidders for GM. By going public, he puts pressure on GM to respond to a proposal that's hardly been defined.

When asked about the GM situation Friday, DaimlerChrysler AG Chairman Dieter Zetsche questioned the motives behind Kerkorian's moves Friday.

"Sometimes the news in itself is already the purpose," Zetsche said, "not (something) necessarily leading to a result."

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