



Tracinda urges GM to consider Nissan-Renault alliance

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By Sharon Silke Carty, USA TODAY

DETROIT — Billionaire investor Kirk Kerkorian has sent a letter to General Motors (GM) CEO Rick Wagoner, encouraging the automaker to look into partnering with Renault and Nissan, sending shares of GM up sharply.

Through his investment firm Tracinda, which owns a 9.9% share in GM, Kerkorian said he believes GM, Renault and Nissan "should explore a three-company partnership-based alliance. Tracinda believes that such a global alliance has the potential to materially strengthen the competitive positions of all three companies in the increasingly challenging worldwide automotive industry."

Kerkorian said Nissan and Renault are receptive to the idea, and are interested in buying a minority share in GM.

GM, in a statement, said the Tracinda request "will be taken under advisement" by its board of directors. The automaker said it has not received any offers or proposals from Renault/Nissan about an alliance. GM said it would have no further comment.

Nissan said in a statement that Chairman Carlos Ghosn had been approached by Kerkorian and his top aide Jerome York and other Tracinda officials "to assess the merits of GM joining the Renault Nissan alliance."

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

Nissan said its alliance with Renault was an "open partnership" and "under the right circumstances and with the appropriate partners, the alliance could be expanded further."

GM warned earlier this week that June sales will be dismal compared with a year ago, when it first launched an incentive program giving employee discounts to everyone. The incentives boosted sales to record levels for June, but quickly fell off for the remainder of the year.

David Kudla, CEO and chief investment strategist for Mainstay Capital Management, said a partnership could raise \$3 billion for GM "along with a potentially rewarding strategic alliance."

The automaker could also potentially benefit from Ghosn, who took over Nissan in 1999 and laid out a set of public goals to return the automaker to financial health. The turnaround is considered one of the most successful automotive restructurings in recent history.

But auto analyst Robert Barry of Goldman Sachs said he saw "little logic" in an alliance, noting that Renault has recently embarked on its own restructuring plan and Nissan has made strides on its own in North America, seizing market share from the Big Three.

"We do not see the upside for Nissan from collaborating with struggling GM, certainly not in a manner that would require taking a GM stake," Barry wrote.

Contributing: Associated Press