



GM board OKs talks with Renault, Nissan

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By Sharon Silke Carty, USA TODAY

DETROIT — General Motors (GM) said Friday it will engage in exploratory discussions with Renault and Nissan to look into aligning with the two automakers, but stressed that GM is remaining focused on its North American turnaround plan.

GM CEO Rick Wagoner will lead the effort to start discussions with Renault and Nissan.

He said in a press release the automaker is going into talks "with an open mind — eager to hear their ideas of how an alliance between our companies might work to our mutual benefit. Given the complexity of any potential relationship, it has to be carefully considered on its merits before coming to any conclusion. We are committed to an objective and thorough review of that potential."

Director George Fisher said the board authorized management to consider ideas brought by the other two companies and "to weigh the potential benefits of such an alliance" to assist the board in its decision making. He added that the board continues "to fully support the company's North American turnaround strategy."

A week ago, billionaire investor Kirk Kerkorian made public a letter he sent to Wagoner encouraging GM to look into partnering with Renault and Nissan. Kerkorian, whose investment firm, Tracinda, owns a 9.9% share in GM, said he believes "such a global alliance has the potential to materially strengthen the competitive positions of all three companies."

Earlier this week, the boards of Renault and Nissan approved exploring an alliance with GM, provided GM had the full support of its board.

Following GM's announcement Friday, Tracinda issued a press release encouraging the automaker to seek outside independent financial and legal advice. "We believe that the upcoming meeting between Mr. Wagoner and Mr. Ghosn is a good first step," the firm said in its statement.

Shares of GM have been up since the news broke last week. Investors and industry watchers have long speculated that Carlos Ghosn, CEO of Renault and Nissan, would be well suited to have a hand in GM's restructuring.

Wagoner said when the idea of joining an alliance with the two other automakers came up, he contacted Ghosn to set up a time for the two CEOs to talk. That meeting is scheduled for next week.

"We periodically receive interesting proposals and we owe it to the company and its shareholders to explore how they might work, and to objectively weigh the potential benefits and issues that each might present," Wagoner said.

GM, which lost \$10.6 billion in 2005, is in the midst of a restructuring plan that includes closing 12 plants by 2008 and eliminating 30,000 jobs.

Wagoner has been on a bit of a winning streak in the past few months after announcing the automaker was ahead of schedule on its job cutting efforts — nearly 35,000 workers agreed in mid-June to take early retirement or a hefty buyout package.

Still, sales are down 12.2% through June, and high gas prices are pressuring sales of GM's highest-profit vehicles, trucks and SUVs.

David Kudla, CEO of Mainstay Capital Management, said he believes Kerkorian's goal is to get Ghosn "closer to running GM." After heading the turnaround at Nissan, Ghosn is respected by many as the leading automotive turnaround expert.

"This alliance could further that goal, especially if Ghosn were to lead the alliance or if given a seat on GM's board as part of the deal," Kudla said. "This goal and its impact on GM's stock price seems far more likely than Kerkorian's interest in an alliance that may take many years to bear fruit."

Shares of GM were up 1.1%, up 32 cents to \$29.52, toward the end of trading Friday.