

Kerkorian pulls adviser from GM board

By Bernard Simon in Toronto
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Kirk Kerkorian, the reclusive corporate raider, has switched tack in his campaign to shake up General Motors, pulling his financial adviser from the carmaker's board and shelving plans to raise his 9.9 per cent equity stake.

Jerry York, Mr Kerkorian's adviser, did not disguise his frustration with GM, saying in a letter to the carmaker's lead director on Friday: "I have not found an environment in the board room that is very receptive to probing much beyond the materials provided by management."

Mr York added that he had "grave reservations" about GM's ability to compete against its Asian rivals.

GM this week stymied a proposal by Mr Kerkorian and Mr York for a global automotive alliance with Renault, the French carmaker, and Nissan, its Japanese affiliate. GM's directors, including Mr York, decided unanimously to end talks with Nissan and Renault.

Tracinda, Mr Kerkorian's holding company, accused GM in a regulatory filing on Friday of "abruptly" announcing the end of the discussions before the expiry of the three-month period set to evaluate the alliance, and without the board obtaining an independent evaluation.

Mr York said his resignation from the board was not prompted by the Renault-Nissan issue, but by "the board room environmental situation".

GM brushed aside Mr York's concerns, reiterating in a statement that "the best way to drive value is to continue to remain focused and vigilant in our stated turnaround programme". GM added that its 12 directors "all have impressive backgrounds in business, and to suggest they do not challenge and question management is absolutely absurd". Tracinda said it would no longer pursue plans to raise its stake in GM to as much as 12 per cent. But it left the door open for the future, saying that it would "continue to review [its] investment in GM and may determine . . . to acquire or dispose of additional shares".

Mr Kerkorian's options range from selling his shares to waging a more vigorous public campaign to unseat Rick Wagoner, GM's chief executive, and his supporters on the board.

Standard & Poor's said that, with the share price above Tracinda's average cost, Mr Kerkorian was likely to reduce his stake. GM shares tumbled more than 7 per cent on Friday.

But David Kudla, chief executive of Mainstay Capital, which manages retirement funds for many GM employees, said the 89-year-old billionaire "was trying to play nice and play from within. He may be backing away from that to take a more aggressive posture."

A New York analyst added that Mr Kerkorian might feel less constrained once Mr York was no longer receiving confidential information as a director. Mr York joined the board in February, a month after urging GM to take a "clean-sheet-of-paper approach" to its business.