

Automaker summit yields few details

GM, Renault-Nissan CEOs begin talks

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Hurry up and wait.

The long-awaited rendezvous between Rick Wagoner, CEO of General Motors, and Carlos Ghosn, CEO of Renault and Nissan, took place in Detroit Friday.

But it was only the first step in exploring whether or not the three automakers will join forces.

The meeting resulted in a laundry list of issues for the automakers to explore that could either lead to a closer relationship in the future or a parting of ways. But no deals were inked and details were kept private.

Going into the meeting, Ghosn said he wanted a blueprint of what areas Renault and Nissan could investigate with GM to take advantage of synergies, such as joint purchasing, sharing research and technology, and possibly sharing parts, components, engines and transmissions.

Ghosn wanted one expert each from GM, Renault and Nissan to examine the laundry list to determine what made sense to pursue together.

After meeting for as long as two hours, Ghosn and Wagoner released a joint statement:

"We have agreed to a judicious and confidential review of the benefits to each of the three companies. A team has been formed to work together to explore ideas."

However, they said, "In order to work without distraction, no further comment will be made at this time."

The two said they hoped to have a decision on whether to move further after 90 days.

The meeting was prompted by Kirk Kerkorian, the billionaire investor who owns 9.9 percent of GM's stock. He broached the idea of an alliance two weeks ago, first with Ghosn and later with Wagoner.

Analysts are skeptical about whether there will be an alliance or merely a handful of joint ventures. They are also wary of Kerkorian's motives, uncertain if the move was about making GM profitable in North America once again, or making himself more profitable by running up the stock price.

If there is an alliance, Kerkorian will wield enough power to designate Ghosn as the leader of the group, a move Ghosn cautiously sidestepped, telling CNBC this week: "Let's not even talk about organizational structure before we see what's at stake."

"(Ghosn) has been subtle about the role he might play," said David Kudla, CEO and chief investment strategist for Mainstay Capital Management. "At the same time, he has carefully painted himself as one of the few in the industry with a successful track record heading up an alliance. The irony in all of this is that Kirk Kerkorian's initiative (to form an alliance) is creating a distraction for GM management that compromises its ability to focus on the very turnaround Kerkorian so badly wants."

Ghosn is seen as a white knight since he stepped in after Renault's purchase of a 44 percent stake in Nissan to rescue the Japanese automaker from near bankruptcy in 1999. Ghosn became its CEO.

Wagoner, in turn, said he doesn't see GM needing a white knight to ensure its turnaround. Without one it managed to post a \$445 million profit in the first quarter of this year after losing \$10.6 billion for all of 2005.

Wagoner may be skeptical. While the alliance of Renault and Nissan has been successful, GM alliances with Suzuki, Isuzu, and Fiat have done little to benefit GM, Ghosn said.

But critics of the alliance point out the white knight may be showing some cracks in his armor.

Ghosn has forecast Nissan will top last year's record earnings of \$4.57 billion, which would be the seventh straight year of record profit.

But Nissan has hit a rough patch, as sales are down both in the U.S. and Japan this year.

In the U.S., sales are off 6 percent to 511,768, including a 19 percent decline in June. In Japan, Nissan's sales were down 10 percent through May. Production in both the U.S. and Japan has been cut. In Europe, Nissan sales were off 15 percent.

Moreover, Ghosn already has his hands full trying to revitalize Renault, which looks to need help.

Renault sold a record 2.53 million vehicles globally last year, but nearly three-fourths were in Europe, where its sales have been falling. In the first half of this year, Renault's sales fell more than 9 percent in Europe and 3 percent globally to 1.3 million units.

Ghosn has set an ambitious sales target of 3.3 million by 2009--a 33 percent increase--with most of the additional 800,000 expected to be sold outside of Europe. Analysts insist it needs to expand into the U.S. to realize its growth potential.

Net profit at Renault jumped 19 percent in 2005 to \$4.03 billion, but \$2.72 billion came from Nissan, in which Renault holds a 44 percent stake.

Those who think an alliance is going to show immediate results are fooling themselves, analysts say.

"It could take 15 to 20 years to realize any benefits. This isn't going to cure any problems for the short term," said George Petersen, president of AutoPacific.

Even Ghosn warns that "alliances, if not managed well, can be a liability."

Though many feel Ghosn would be designated to run the alliance, he told CNBC he "categorically" wouldn't run GM, Renault and Nissan at the same time, leaving the door open to run GM alone, which sells 2.2 million more cars annually than Renault and Nissan combined.

Ghosn suggested an alliance might rule out more GM plant closings since if Nissan needed the capacity an alliance would allow Nissan to "consider" building a new plant on its own or use one of GM's about to be or already closed. However, Nissan's current U.S. plants are all non-union. Insiders suggest GM wants no more than joint ventures, but Ghosn said he wants to hold a stake in GM.

"Taking some shareholding is important. I don't think anything serious will happen for the long term if there isn't a stake," he said.

"The one thing Ghosn has going for him is that he is an outsider who doesn't know the people at GM and have friendships and relationships that make it difficult to make some decisions," said Petersen.

"But Renault embracing Nissan is not like trying to embrace the much larger GM. That's a titanic task," he said.

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