

AP: McTevia Comments on Possible GM Alliance

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Kerkorian: Renault and Nissan receptive to GM stake

Associated Press

WASHINGTON — Kirk Kerkorian, the billionaire mogul and major shareholder in General Motors Corp., said today that automakers Renault SA and Nissan Motor Co. are interested in purchasing a significant stake in GM and including the Detroit automaker in their alliance.

Kerkorian's investment company, Tracinda Corp., told GM Chairman and CEO Rick Wagoner in a letter that Renault and Nissan are receptive to the idea of including General Motors in their partnership and purchasing "a significant minority interest" in the automaker.

Shares of GM soared \$2.45, or 8.9 percent, to close at \$29.89 on the New York Stock Exchange.

Tracinda, which owns 9.9 percent of GM's common stock and is GM's third-largest shareholder, said the existing French-Japanese partnership has created "tremendous engineering, manufacturing and marketing synergies, resulting in substantial benefits and cost savings to both Renault and Nissan."

In a separate letter to Nissan Chairman Carlos Ghosn and Renault Chairman Louis Schweitzer, Tracinda said: "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."

Tracinda urged GM's board to form a committee to "immediately and fully explore this opportunity together with management," as it feels the alliance could help GM "realize substantial synergies and cost savings and thereby greatly benefit the company and enhance shareholder value."

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.

Automotive News, citing two sources close to the board that it did not name, reported on its Web site today that the GM board called an emergency meeting.

Nissan said in a statement that 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."

Renault owns a 44.4 percent stake in Nissan, which in turn owns a 15 percent stake in Renault. Nissan was on the brink of bankruptcy when Ghosn was dispatched by Renault to lead the Japanese company in 1999. Brazilian-born Ghosn engineered a cost-cutting and morale-boosting campaign that revived the automaker.

GM has been engaged in an extensive turnaround plan in North America amid declining profit, high labor costs and growing competition from Asian automakers. The automaker announced plans last year to close 12 plants by 2008 and earlier this week announced that 35,000 hourly workers had agreed to retire early or accept a buyout offer.

Kerkorian has pressured GM to take aggressive steps to restore profitability and his top adviser, York, was elected to GM's board earlier this year.

"What we're seeing here is the realization of the offshore foreign OEMs (Original Equipment Manufacturers) and the domestic OEMs sensing that while competition is healthy globally, global alliances are also very healthy, too," said James McTevia, a Detroit-area restructuring consultant.

Some analysts said the overtures could represent the first steps in the most significant alliance or merger since Daimler-Benz acquired Chrysler Corp. in 1998.

JP Morgan analyst Himanshu Patel said in a note to investors that it offered the potential for positive developments in purchasing, product development and in the growing China market.

"If GM management were to agree to such a partnership, we would view this as a major potential long-term positive for GM shareholders," Patel wrote.

Auto analyst Robert Barry of Goldman Sachs & Co., however, 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 domestic 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.

Gerald Meyers, former chairman of American Motors Corp. who now teaches at the University of

Michigan, said the potential equity interest was "an opening shot, a feeler" but a long way off from a merger along the lines of Daimler-Benz and Chrysler.

Meyers, whose former company had an unsuccessful merger with Renault in 1979, said the inquiry was "a worrisome thing for the GM management. I'm sure they don't need another voice in the boardroom."

"Carlos Ghosn has a reputation of being a very strong CEO," Meyers said. "I can't imagine him taking a back seat to Rick Wagoner."

DaimlerChrysler Chairman Dieter Zetsche, during a morning news conference on incentives and an advertising campaign, called the Tracinda letter speculation and said that sometimes, such news doesn't lead to a result.