

Renault interested in Fiat Chrysler merger but to hold new meeting

June 4 2019, by Adam Plowright And Daniel Aronsohn



The proposed tie-up between Fiat Chrysler and Renault has been presented as a "merger of equals"

French carmaker Renault on Tuesday said it was studying "with interest" an offer for a merger with Fiat Chrysler (FCA) after a crunch management meeting but added its board would meet again for further deliberations.

The board of Renault had been expected to decide Tuesday to begin

merger talks with Fiat Chrysler that could create a new global giant spanning the United States, Europe and Japan.

After the meeting, Renault confirmed its interest but said that another meeting would be held on Wednesday.

"The board decided to continue to study with interest the opportunity of such a merger and to extend discussions on the subject," Renault said in a statement. "It will meet again on Wednesday, June 5 at the end of the day," it added.

US-Italian group Fiat Chrysler proposed a "merger of equals" with Renault last week which has been welcomed by [financial markets](#) and has been given a conditional green light by the French government.

A merger would be "a real opportunity for the French auto industry," Finance Minister Bruno Le Maire told AFP Friday of a tie-up which would bring together the flagship brands as well as Alfa Romeo, Jeep, Maserati, Dacia and Lada.

'Badly conceived plan'

But Renault already has an alliance with Japan's Nissan and Mitsubishi, and the combined mega-group would be by far the world's biggest, selling some 15 million vehicles, surpassing Volkswagen and Toyota, which sell around 10.6 million each.

Nissan, a long-time Renault partner, fears being sidelined by the deal and its chief executive, Hiroto Saikawa, warned Monday that a merger "would significantly alter the structure of our partner."

Any new combination would require a "fundamental review" of their relationship, said the boss of Nissan, whose 15 percent stake in Renault

would be diluted to 7.5 percent under the proposed deal.

Behind the scenes at the Yokohama-based firm, some executives believe the merger talks could further strain relations with Renault after the arrest in Japan of former CEO Carlos Ghosn, the architect of their alliance.

"It's an ill thought-out and badly conceived plan," one source close to Nissan told AFP last week on condition of anonymity.

Renault board chairman Jean-Dominique Senard has travelled to Tokyo to smooth over ties in what has been a sometimes tricky marriage between the two partners over the last two decades.

"I think that all the recent events are very good for the alliance, and I will make sure that Nissan and Mitsubishi will take great advantage of the news," Senard said on Tuesday.

FCA



If the two auto giants do merge, the combined mega-group would be by far the world's biggest, selling some 15 million vehicles annually, surpassing around 10.6 million each for Volkswagen and Toyota

French government role

Backers of the deal believe there could be synergies between a combined mega-group because of Chrysler's strong presence in the North American markets, where Renault and the Japanese firms are relatively weak.

In return, Fiat Chrysler hopes to benefit from Renault and Nissan's cutting-edge technology for electric cars, which has made them a world leader.

Analysts see plenty of potential stumbling blocks, however, not least the weight and ultimate influence of Renault and Fiat Chrysler in the supposed "merger of equals."

The French state, which is the biggest shareholder in Renault with a 15 percent stake, is a key player in the negotiations.

"It's out of the question that the merger leads to Fiat Chrysler taking control of Renault," a French government source told AFP on condition of anonymity.

Foreign takeovers of major French firms are highly controversial and successive governments have sought to defend domestic industrial groups which are seen as important for their technology or jobs.

Le Maire has set four conditions for a merger, including that no plants be closed as part of the tie-up and that the Renault-Nissan alliance continues.

The government also wants the merged group to guarantee it will take in a new EU-backed initiative to develop battery technology, part of efforts to break Chinese dominance in the sector.

It also wants "balanced corporate governance" at the future group,

meaning that Renault is adequately represented on the board of the combined group.

Press reports have suggested that Fiat chairman John Elkann, a grandson of Fiat's emblematic former president Gianni Agnelli, would be chairman after a [merger](#), while Renault's Senard would be chief executive.

The French government also wants a seat on the board.

The new group would be headquartered in the Netherlands and its shares would be traded in Paris, Milan and New York.

The biggest shareholder would be Italy's Agnelli family which would own 14.5 percent.

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