

Renault to decide on merger talks with Fiat Chrysler

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

The board of French car giant Renault is expected to decide Tuesday to begin merger talks with Fiat Chrysler which could create a new global giant spanning the United States, Europe and Japan.

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 on Friday of a tie-up which would bring together the flagship brands as well as Alfa Romeo, Jeep, Maserati, Dacia and Lada.

After preliminary talks over the past week, Renault directors are set to meet on Tuesday and decide whether to enter into formal discussions, with talks continuing late on Monday night to win over the Paris government.

If combined, the two firms would produce 8.7 million vehicles a year, creating an industry powerhouse with an expected market value of some 36 billion euros (\$40 billion).

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, which have been hit by 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 attempt 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.

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 will be closed as part of the tie-up and that the Renault-Nissan alliance continues.

The government also wants the merged group to guarantee that 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 Thierry Bollore 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.

The board meeting will take place at 3:00 pm (1300 GMT) at Renault's headquarters west of Paris.

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