

## **VW to pay \$2.5bn for 20% Suzuki stake**

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Volkswagen is to pay ¥222.5bn (\$2.5bn) to buy a 19.9 per cent stake in Japan's Suzuki Motor in a deal that would create the world's largest carmaker alliance.

The German car group on Wednesday confirmed it had agreed to form a "comprehensive partnership" with Suzuki, adding that both companies' management had concluded their complementary strengths made them a "perfect fit".

Osamu Suzuki, Suzuki's chief executive, also confirmed long-circulating rumours that the groups had been in negotiations.

"In terms of product portfolio, global distribution and manufacturing capacities, Volkswagen and Suzuki ideally complement each other," the German carmaker said in a statement.

The tie-up will be designed as a cross-shareholding similar to the alliance between France's Renault and Japan's Nissan. The two companies would buy each others' shares and would respect "each other's independence as a standalone entity," VW said.

VW said that it would buy 19.9 per cent of Suzuki's shares, and that it expected the deal to close in January. Suzuki said it was looking at buying up to ¥50bn of VW shares to cement the mutual alliance.

The news comes less than a week after Peugeot Citroën of France revealed that it was considering buying a stake in another Japanese carmaker, Mitsubishi Motors, as part of an expanded partnership.

Taken together, the moves suggest an expected wave of global consolidation in the motor industry may be gaining force. The global slump has put pressure on carmakers to seek alliances, but with the exception of Fiat's embrace of Chrysler little has happened so far.

Suzuki only recently ended a three-decade partnership with General Motors. GM owned 20 per cent of Suzuki at the peak of its involvement but sold the last of its shares late last year.

This week Suzuki agreed to offload its half of the pair's Canadian manufacturing venture to GM.

By partnering with Suzuki, Volkswagen would gain a foothold in the fast-growing Indian market, where Suzuki's majority-owned venture Maruti Suzuki enjoys a 50 per cent share. Suzuki, for its part, would gain access to hybrid and other environmental technologies, an area where it has lagged its Japanese competitors.

VW, the world's number two carmaker and the largest in Europe, sold 5.3m vehicles worldwide in the 10 months to October. Suzuki, which ranks ninth globally, sold 1.9m. Together the pair's sales exceeded Toyota Motor's 6.4m.

After taking over as VW's chief executive at the beginning of 2007, Martin Winterkorn said he wanted the company to take on Toyota, the industry's best-selling carmaker.

Since then, VW has climbed the industry's league table, thanks to a range of well-received vehicles, strong sales in emerging markets including China, and Germany's scrappage programme, which boosted demand in Europe's largest market this year by about 2m cars.

VW said that it and Suzuki would offer “a compelling solution” for customers buying their first cars in emerging markets, and for drivers in advanced countries seeking to lower their carbon footprint.

Suzuki’s shares ended up 3.7 per cent on Wednesday.

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