

Renault and Nissan in pact with Daimler

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Renault, Nissan and Daimler on Wednesday revealed a strategic partnership that will see the three carmakers swap equity stakes and develop and build small cars, engines and vans together.

The tie-up will allow the Franco-Japanese auto alliance and the German luxury group to pool efforts on new vehicles and technologies and add essential volumes to their production plants at a time of intense competition and rising production and environmental compliance costs in their industry.

The companies said the partnership would yield combined benefits of €4bn (\$5.3bn) over five years. "We are creating a technological powerhouse that would benefit all partners," Renault and Nissan's chief executive Carlos Ghosn said.

Dieter Zetsche, Daimler's chief executive, said that the two groups had found the "right cultural fit" for the partnership.

The tie-up falls short of a full-fledged alliance such as the 11-year-old one between Renault and Nissan, which own large equity stakes in one another.

However, it goes well beyond the limited short-term co-operation on individual cars and engines favoured by rival carmakers such as PSA Peugeot Citroën, BMW and Ford.

Renault and Daimler had been discussing working together on a new model for the German carmaker's Smart sub-brand, but the talks were expanded to include Nissan and the exchange of mutual stakes.

Daimler has an unhappy history of partnerships with other carmakers, notably Chrysler, with which it avoided sharing swaths of its technology during their nine-year pairing that ended in 2007.

The German carmaker's decision to join forces with Renault and Nissan was driven largely by Europe's tightening of regulation on carbon dioxide, which is forcing premium carmakers to expand into small cars.

Under the share exchange, Daimler will take a 3.1 per cent stakes in both Renault and Nissan, and the allied French and Japanese carmakers will share a 3.1 stake in their German partner, holding 1.55 per cent each.

The partnership will be managed by a new 12-member co-operation committee chaired by Mr Ghosn and Mr Zetsche and steered by executives from the three companies.

It will see Renault and Daimler work together on a forthcoming generation of their respective Twingo and Smart Fortwo models, including electric versions.

The two companies and Nissan will also share and jointly develop diesel and petrol engines to be used in the new cars, which would be modified for a new generation of premium compact cars for Daimler's Mercedes-Benz brand.

"We wanted something significant to give the signal inside the company [that] this is going to be long-term, not short-term – please open your books, please open your know-how", Mr Ghosn said. "If they have the impression that it is short-term, the know-how won't flow."

The two chief executives said that they had no plans to increase the 3.1 per cent shareholding for the time being.

The two carmaking groups said they would seek "additional synergies" through joint purchasing and sharing of operational benchmarks and best practices. They also said they would explore co-operating on technologies relating to electric vehicles and their batteries.

The projects announced on Wednesday are focused on Europe. However, Mr Ghosn said they would study working together in the US and emerging markets.

Before the deal, Nissan owned 15 per cent of Renault and Renault 44.3 per cent of Nissan.

The French carmaker's share in its Japanese partner will now fall to 43.2 per cent as Renault is giving its 3.1 per cent of its Nissan stake to Daimler, and taking a new 2 per cent stake in return.

Daimler's history of difficult alliances

While Daimler has an unhappy history of partnerships with other automakers, its chief executive on Wednesday vowed not to repeat the mistakes of the past.

Dieter Zetsche said the strategic partnership with Renault-Nissan was the "opposite" of the carmaker's merger with America's Chrysler, which was dissolved in 2008 after nine years that brought Daimler huge losses.

"The main difference is ... that with Chrysler, we agreed on a merger but had no ideas about areas of collaboration," Mr Zetsche said.

He said that Daimler and Renault/ Nissan had agreed to take "small symbolic stakes" in each other only after months of talks on concrete areas of co-operation.

"This is just the opposite of what we did with Chrysler and I am very optimistic that the outcome will be the opposite as well," Mr Zetsche said.

Daimler's boss is wary not to repeat the mistakes of his predecessor, Jürgen Schrempp, whose attempt to create a global carmaker dubbed "World Inc" by acquiring Chrysler and minority stakes in Japan's Mitsubishi Motors and South Korea's Hyundai failed miserably.

The episode caused massive cracks in Daimler's previously self-confident corporate culture.

"We have been very successful as a German carmaker for more than a century," said one senior director of the company. "But then we got hit from two sides: by the Chrysler problems and by the economic crisis, which caught us off-guard."

Now Daimler is returning to partnership mode in a push to renew its product range at a time of high costs and pressure to be present in a widening array of technologies, vehicle segments and overseas markets. "What we need now is a changing culture that allows us to work with other carmakers and accept that they are doing good things as well," the senior director said.

Fonte: Financial Times, London, Apr. 7th 2010, Companies, online.