

Ford Motor not jumping on alliance bandwagon

Company shows no interest in talks with Renault-Nissan

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Ford Motor Co. stock took a slight hit Thursday as the Dearborn-based automaker expressed no immediate interest in jumping into alliance talks with Renault SA and Nissan Motor Co.

After General Motors Corp. ended talks the day before with Renault and Nissan, attention quickly shifted to Ford as a potential partner, sending Ford stock up 4% Wednesday to \$8.56.

By the end of Thursday, with no word from Ford on pursuing an alliance, the company's stock fell 2.7% to \$8.33.

Speculation of a Ford deal with Renault and Nissan, which are already bound by an alliance, likely buoyed Ford stock for a day, said David Kudla, CEO and chief investment strategist for **Mainstay Capital Management LLC** in Grand Blanc.

"Some of that might have come right back out," Kudla said.

Carlos Ghosn, the CEO of both Renault and Nissan, has long said he would like to add a North American partner to the current alliance.

Ford declined to comment Thursday on possible talks with Renault-Nissan, but a Ford official said the company is focused on executing its Way Forward turnaround plan.

Earlier this year, Ford Chairman Bill Ford said he would not rule out discussing an alliance with Renault-Nissan. Since then, though, Ford hired Alan Mulally as president and CEO and announced the acceleration of its Way Forward plan aimed at cutting costs and reviving the product lineup.

Financial analysts recognized that Ford was a likely candidate for Renault-Nissan but expressed doubt that anything would happen soon.

In the short-term, Ford will be busy trying to reduce its workforce through buyouts and planning how to use capacity as it ramps down North American production, analysts said.

"In the case of Ford, we would be surprised if talks were to start immediately with Renault-Nissan," Bear Stearns analyst Peter Nesvold wrote in a note to clients.

The conclusions reached by GM in its talks also could have a negative impact.

GM executives said they found that an alliance presented greater benefits to Renault and Nissan than to GM and its shareholders.

"In our eyes, it's not unreasonable to assume that Ford may conclude the same," J.P. Morgan auto analyst Himanshu Patel wrote in an investors note.

Kudla of Mainstay Capital said he expects investors to quickly shift their focus back to the fundamentals of Ford and GM as businesses.

The alliance talks have had an impact, Kudla said. GM's stock, for example, swung up and down based on the talks. It fell 0.8% over the past two days after discussions with Renault-Nissan broke off.

But the real driver for GM stock in the past six months has been evidence that its turnaround plan is working, Kudla said.

The impact of the alliance talks on the stock was minor compared to GM's ability to get almost 35,000 hourly workers to take buyouts or early retirement, he said. GM stock is up 70% in the past six months.

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