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## Talks on Alliance Approved By GM

Board to Decide On 3-Way Deal

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General Motors Corp.'s board of directors yesterday agreed to open preliminary discussions with Nissan Motor Co. and Renault SA on a three-way alliance, a move that turns up the pressure on GM Chairman Rick Wagoner.

George Fisher, the GM board's lead director, said in a statement that the board authorized GM to proceed with a plan to "weigh the benefits" of an alliance. Fisher said Wagoner would lead the discussions for GM but made clear that the final decision is in the board's hands. Fisher said directors would closely monitor the process to "assure that its outcome serves the best interests of all GM shareholders."

Investor Kirk Kerkorian, who holds a 9.9 percent stake in GM, first publicly broached the idea a week ago. His investment firm, Tracinda Corp., called the decision to open talks a "good first step" but again urged GM's board to form an independent board committee with its own legal and financial advisers to study the deal.

So far, details of a GM-Nissan-Renault alliance have been sketchy. Kerkorian and Nissan chief executive Carlos Ghosn have laid out a plan under which Nissan and Renault would take a combined 20 percent stake in GM for an investment of \$3 billion. The action by GM's board potentially opens the way for Ghosn, who is widely credited with reviving Nissan early in the decade, to take a larger role in GM's restructuring. Some analysts wonder whether Kerkorian is trying to put a plan in motion that could eventually place Ghosn on the GM board, or even in the top job at the automaker.

Wagoner is probably puzzling over Kerkorian's end game, said David Kudla, chief investment strategist at Mainstay Capital Management in Grand Blanc, Mich. "It really puts a lot of pressure on Wagoner," he said. "Is Kerkorian really trying to put together an alliance that will take years to bear fruit? Or is he trying to get a real agent of change -- the icon of change in the automotive industry?"

Wagoner said in a statement that his team would enter into discussions with an "open mind -- eager to hear their ideas of how an alliance between our companies might work to our mutual benefit."

Earlier in the week, the boards at Nissan and Renault gave Ghosn authority to begin discussions with GM. Ghosn holds the titles of chief executive and president at both Nissan and Renault. The

two automakers have been partners since 1999, when Renault purchased a stake in Nissan and dispatched Ghosn to Tokyo to rebuild Nissan's failing operations.

With the green light from GM's board, the discussions are headed into an exploratory stage. Both Nissan and GM said Wagoner and Ghosn have agreed to meet to discuss the deal. The Detroit News has reported that the meeting would take place Friday, but representatives at both companies have declined to specify a date.

Nissan yesterday issued a short statement, saying, "We look forward to starting the discussion process soon."

Analysts have questioned the rationale behind a link-up of the three companies. Nissan and GM have overlapping vehicle lineups in the United States, which seems to make them better suited to be rivals than partners. A similar problem exists in Europe, where GM and Renault are major players. GM has a corporate culture all its own, rooted in the automaker's long-held position as the world's No. 1 automaker.

But GM executives have been unable to halt an erosion of that position. The automaker has continued to lose market share in the United States, which is the biggest and most lucrative single auto market in the world.

Under Wagoner's direction, GM is undergoing a major overhaul of its troubled North American operations. The plan includes closing all or part of 12 manufacturing facilities and eliminating 30,000 jobs. GM is also cutting billions of dollars in costs and pushing hard to develop more appealing models. But the company has been challenged by investors and analysts who argue that bigger steps are needed to reverse GM's long-term decline.

Fisher said in the statement that the board continues to fully support GM's current North American turnaround strategy.