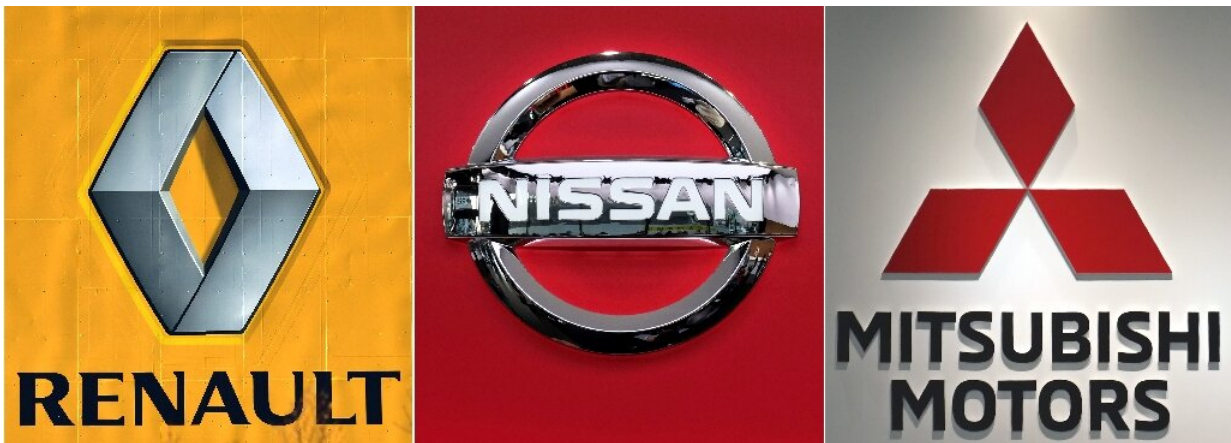


Renault-Nissan-Mitsubishi deepen their alliance

May 27 2020



The automakers believe their alliance is the key to their survival

Struggling automakers Renault, Nissan and Mitsubishi unveiled Wednesday a plan to deepen their alliance, a top global producer of cars, that only months ago seemed on the verge of breakup.

The announcement comes as the industry faces an existential crisis from the coronavirus pandemic, which has caused sales to plunge as governments have forced citizens to stay at home to slow the spread of the virus.

The three companies announced what amounts to a push towards an

integrated entity, something that political sensitivities over [job losses](#) had previously made difficult.

The carmakers said they will adopt a "leader-follower scheme to enhance efficiency and competitiveness" which involves each of them taking the lead in every region of the world.

The alliance is to focus on one model per product segment, which would be developed by the leading company in that particular segment and adapted by the others.

Production could be grouped together where appropriate.

The plan "is expected to deliver model investment reductions of up to 40 percent for vehicles fully under the scheme," they said, with nearly half of new cars to be jointly developed by 2025.

Renault shares surged on the Paris bourse following the announcement, rising nearly 20 percent in morning trading Wednesday from the previous day's levels.



The alliance was the world's top carmaker in 2017 and 2018 with sales of 10.6 million passenger cars and light commercial vehicles

Alliance the car key

Renault head Jean-Dominique Senard, who also leads their alliance, said the plan will "bring out the most of each company's assets and performing capabilities, while building on their respective cultures and legacies".

It will increase "their respective competitiveness, sustainable profitability and social and environmental responsibility," he added.

The carmakers will also focus on their core regions, with Nissan

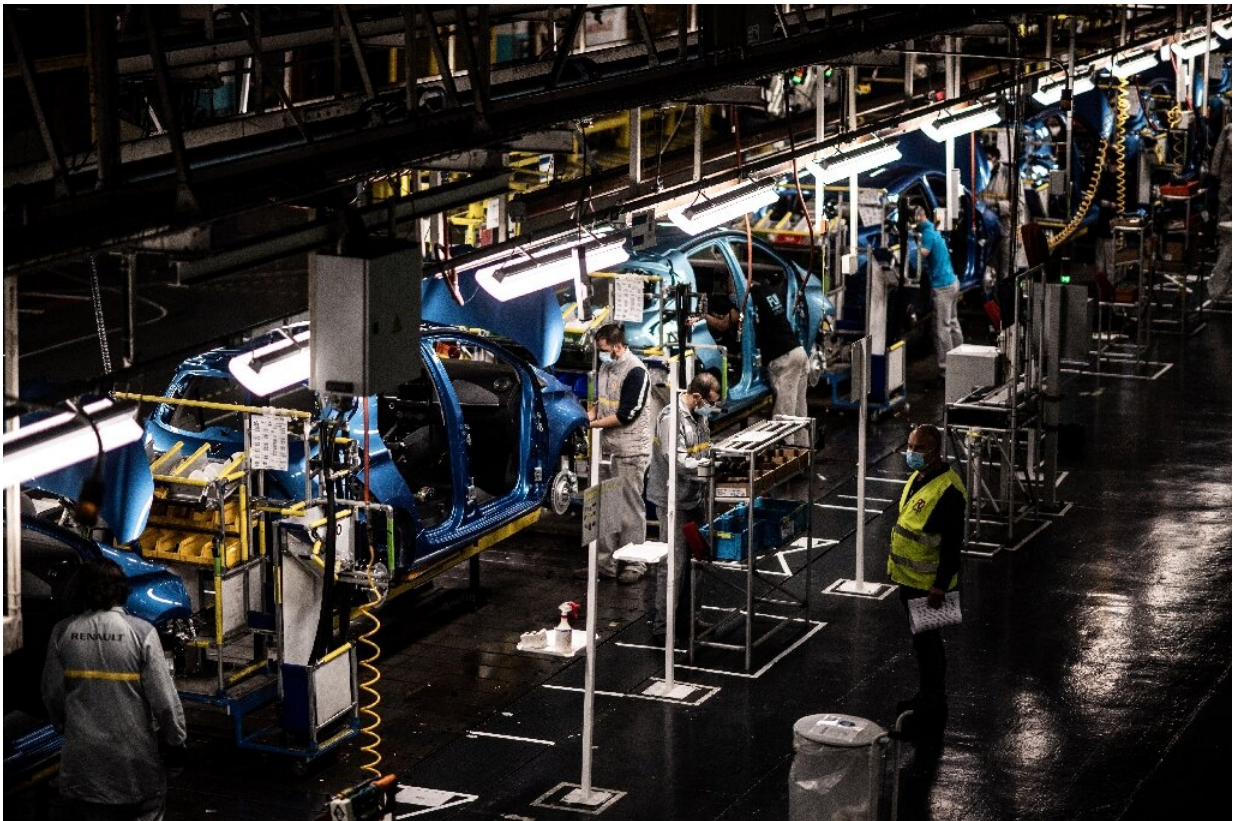
becoming the reference for China, North America and Japan.

Meanwhile Renault will take the lead in Europe, Russia, South America and North Africa, and Mitsubishi Motors in ASEAN and Oceania countries.

"The alliance is the key to our resilience and our competitiveness..."
Senard said in a later press conference.

Shift to competitiveness

He said the emphasis was "on efficiency and competitiveness rather than volumes".



The plant that produces both Renault's Zoe electric vehicle and Nissan's hybrid Micra in the Paris suburbs is one of the sites at risk of being shut down

This appears to be a major change from the strategy pursued under Carlos Ghosn, who led the industrial alliance into becoming the world's biggest car manufacturer by volume in 2017 and 2018 with sales of 10.6 million passenger cars and light commercial vehicles.

Ghosn built the alliance based on a series of cross shareholdings rather than a vertical ownership of brands. Integration of their operations has been limited.

Ghosn was forced out as the head of the alliance after being arrested in Japan in 2018 on allegations of financial misconduct. He denied the accusations, fled trial in Japan and surfaced in Lebanon last year.

Without Ghosn at the helm, relations between the automakers deteriorated as long-standing gripes about the relative weight of their respective stakes, and the French government's shareholding in Renault, increasingly came out into the open.

Crisis response

But as the financial performance of all three automakers hit bumps, the three announced in January they would look to deepen their [alliance](#) as the way forward.

With automakers now forced to drastically cut back production and jobs in any case, plans to further integrate operations may finally overcome opposition from workers and governments.



Stocks of unsold cars have been growing as lockdowns and uncertainty have stalled sales

Renault has been negotiating to get a 5-billion-euro state-backed loan, but the French government has made this conditional on guarantees for workers and production to remain in the country, and pushed the automaker to join a European initiative on batteries for electric cars.

Both Nissan and Renault are set to unveil details on their restructuring plans in the coming days, while Mitsubishi is expected to follow suit in July or August.

Thousands of jobs are likely to go and some factories shuttered as the automakers adjust to the huge drop in demand for cars.

France also unveiled Tuesday an 8 billion-euro plan to support the auto industry that including a cash-for-clunkers scheme.

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