



General Motors Chairman and CEO Dan Akerson, left, with PSA Peugeot Citroën Chairman of the Managing Board Philippe Varin in New York City. GM and PSA Peugeot Citroën earlier announced a strategic alliance that will profit both companies and improve their competitiveness in Europe, organizers say.

GM Gives More Details on Its Alliance with Peugeot

NEW YORK – General Motors and PSA Peugeot Citroën today announced the creation of a long-term and broad-scale global strategic alliance that will leverage the combined strengths and capabilities of the two companies, contribute to the profitability of both partners and strongly improve their competitiveness in Europe.

The alliance is structured around two main pillars: the sharing of vehicle platforms, components and modules; and the creation of a global purchasing joint venture for the sourcing of commodities, components and other goods and services from suppliers with combined annual purchasing volumes of approximately \$125 billion. Each company will continue to market and sell its vehicles independently and on a competitive basis.

Beyond these pillars, the alliance creates a flexible foundation that allows the companies to pursue other areas of cooperation.

In connection with the alliance, PSA Peugeot Citroën is expected to raise approximately €1 billion through a capital increase with preferential subscription rights for shareholders of PSA Peugeot Citroën, underwritten by a syndicate of banks and including an investment from the Peugeot Family Group, as a sign of its confidence in the success of the alliance.

As part of the agreement, which includes no specific provision regarding the governance of PSA Peugeot Citroën, GM plans to acquire a 7 percent equity stake in PSA Peugeot Citroën, making it the second-largest shareholder behind the Peugeot Family Group.

"This partnership brings tremendous opportunity for our two companies," said Dan Akerson, GM chairman and CEO. "The alliance synergies, in addition to our independent plans, position GM for long-term sustainable profitability in Europe."

Philippe Varin, chairman of the managing board of PSA

Peugeot Citroën, declared, "This alliance is a tremendously exciting moment for both groups and this partnership is rich in its development potential. With the strong support of our historical shareholder and the arrival of a new and prestigious shareholder, the whole group is mobilized to reap the full benefit of this agreement."

Under the terms of the agreement, GM and PSA Peugeot Citroën will share selected platforms, modules and components on a worldwide basis in order to achieve cost savings, gain efficiencies, leverage volumes and advanced technologies and reduce emissions. Sharing of platforms not only enables global applications, it also permits both companies to execute Europe-specific programs with scale and in a cost-effective manner.

Initially, GM and PSA Peugeot Citroën intend to focus on small and midsize passenger cars, MPVs and crossovers. The companies will also consider developing a new common platform for low emission vehicles. The first vehicle on a common platform is expected to launch by 2016.

This alliance enhances but does not replace either company's ongoing independent efforts to return their European operations to sustainable profitability.

The purchasing cooperation defined in the agreement allows the companies to act as one global purchasing organization when it comes to sourcing commodities, components and services from suppliers, taking full advantage of the joint expertise, volume, platforms and standardized parts.

Combining GM's robust global processes and organizational structure with best practices from PSA Peugeot Citroën will bring significant value and efficiencies to the purchasing operations at both companies.

Additionally, the alliance is exploring areas for further cooperation, such as integrated logistics and transportation. To this end, GM intends to establish a strategic, commercial cooperation with Gefco,

an integrated logistics services company and subsidiary of PSA Peugeot Citroën, whereby Gefco would provide logistics services to GM in Europe and Russia.

The total synergies expected from the alliance are estimated at approximately \$2 billion USD annually within about five years. The synergies will largely coincide with new vehicle programs, with limited benefit expected in the first two years. It is expected the synergies will be shared about evenly between the two companies.

The alliance will be supervised by a global steering committee that includes an equal number of senior leader representatives from each company. The GM-Peugeot alliance was the talk of last week's Geneva Motor Show.

Big 3 Taps Natural Gas to Power HD Pickup Trucks

By DEE-ANN DURBIN
AP Auto Writer

DETROIT (AP) – More natural gas-powered vehicles will hit the market soon, as rising gasoline prices, booming natural gas production and proposed tax credits make them a more attractive option. But they're a long way from being a common sight in U.S. driveways.

Chrysler will sell a Ram 2500 Heavy Duty pickup that runs on compressed natural gas starting in July. The truck has both a gasoline tank and a natural gas storage tank, and its engine shifts seamlessly between the two power sources. The truck can run for 255 miles on natural gas and another 367 miles using gasoline.

Chrysler will have competition. Late this year, General Motors Co. will sell natural-gas versions of two pickups – the Chevrolet Silverado and GMC Sierra 2500 HD. The GM trucks will run on gasoline and natural gas for 650 miles. Ford Motor Co. has offered natural-gas ready pickups and vans since 2009.

Natural gas is appealing for several main reasons. It comes from domestic sources, for those concerned about importing oil. It produces 30 percent fewer greenhouse gas emissions than traditional gasoline or diesel. And it costs less than gasoline. Natural gas prices have dropped 18 percent so far this year, while regular gas prices are up 13 percent.

But U.S. buyers have been slow to adopt natural-gas vehicles, which make up less than one-tenth of 1 percent of the vehicles on American roads. Even the newest trucks aren't intended for average buyers. They're work trucks, capable of plowing snow and towing three tons or more. Chrysler will only sell its natural-gas Ram to fleet customers like local governments, utilities and construction companies. GM anticipates that 90 percent of its sales will be to fleets.

Mary Barcella, director of North American Natural Gas research at consulting firm IHS CERA, said the economic benefits aren't compelling enough for most drivers. With gasoline prices of about \$4 per gallon, it would take five years or more to recoup the extra cost of a natural gas vehicle. She thinks natural gas vehicles will only become

more popular if retail gas pump prices rise and stay high for a long time.

It's the same story with hybrid cars, which have been on the market for more than a decade but have a price premium that is difficult to recoup, especially if gas prices are low. Hybrids only make up around 3 percent of the U.S. market.

The price for a natural gas vehicle could go down significantly if Congress approves a tax credit proposed in the Obama administration's 2013 budget. The administration has proposed replacing the current \$7,500 electric vehicle tax credit with an advanced technology vehicle credit of up to \$10,000.

The credits would go to manufacturers in an effort to encourage lower prices and spur demand.

In the end, natural-gas-powered vehicles look as if they'll continue to reside in the "alternative fuel" category for some time to come, alongside E85 ethanol and other specialty automotive fuels.

Large truck fleets have long been customers of NG. Moving natural gas downstream into passenger cars and small trucks remains the challenge for champions of NG.

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