

Siemens, Mitsubishi challenge GE with Alstom offer
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Germany's Siemens and Japan's Mitsubishi Heavy Industries presented a joint offer to France's Alstom yesterday that included 7 billion euros (RM30.64 billion) in cash, challenging a bid by General Electric.

Under the deal, Siemens offered to buy Alstom's gas turbines business for 3.9 billion euros in cash, and MHI to buy stakes in Alstom power assets including hydroelectric power equipment and grid, to be held in separate joint ventures.

MHI would inject 3.1 billion euros in cash into Alstom and offer to take a stake of up to 10% in the French firm from shareholder Bouygues.

"Alstom would remain an independent energy and transport player with a strong brand," Siemens Chief Executive Joe Kaeser said. "Its energy business would be strengthened through the partner MHI and we intend to explore opportunities with Alstom to create a European rail champion for the world market."

Alstom said it would review the proposal in the coming days.

Sources familiar with the matter said the offer would be worth over 1 billion euros more than GE's, taking into account the value of the parts of the power businesses that would remain under Alstom's control.

Mitsubishi would like to buy the Alstom stake alongside the French government but would not walk away from the deal if Bouygues was unwilling to sell, the sources said, adding that Bouygues would be contacted very soon.

GE said it had made progress in its discussions with the French government on its offer for Alstom's energy business, which included "proposing alliances in energy and transport". A spokeswoman said GE would not however be drawn into a bidding war.

The race to acquire power activities from the French train and turbine maker has entered a crucial week, ahead of a June 23 deadline set by GE for its 12.4 billion euro bid for all of Alstom's energy arm, which includes its thermal power, renewable power and grid businesses.

The French government has criticised GE's proposal and gave itself powers to veto a deal on the grounds it does not want Alstom, an innovator and big employer, to sell the bulk of its business to a foreign firm without the state having a say.

The government has also tried to negotiate better offers and alliances to preserve Alstom as a player in both transport and energy, seeing both as vital national industries at a time when unemployment is stuck above 10 percent and voters are increasingly turning towards the far-right.

French Finance Minister Michel Sapin said Alstom and the government would examine both offers once they are on the table and base their decision on that.

Alstom, best known overseas for making TGV high-speed trains, employs 18,000 people in France, around a fifth of its workforce. It was rescued from near bankruptcy by the state a decade ago and has since largely relied on public orders for power and rail equipment.

A rival offer gives France more leverage against GE as it seeks more job guarantees and a promise to keep major offices in France to secure the nation's energy independence. Alstom is a supplier of turbines for nuclear plants worldwide, and Paris fears that having these fall under U.S. control could jeopardise exports in the atomic power industry.

However, it is far from certain whether the government, Alstom and its top shareholder Bouygues would genuinely support a Siemens-Mitsubishi offer over that of GE.

Bouygues said it had not yet been approached by Mitsubishi or the government about its 29% Alstom stake, but it would support whichever proposal was favoured by Alstom's board.

Siemens CEO Kaeser and MHI's chief Shunichi Miyanaga will present their plan to France's lower house of parliament at 1500 GMT today (11pm MYT), and are likely to face tough questions from lawmakers worried about national interests.

The government has already secured a pledge from General Electric to create 1,000 new jobs in France within three years of a deal, but Sapin said on Sunday he expected the US conglomerate to further improve its offer.

Siemens followed suit, saying yesterday it would offer a three-year job guarantee for workers at the gas business in France and Germany and said the alliance between Alstom and MHI would create more than 1,000 jobs in France.

GE is ramping up its charm offensive in the French press with ads saying its proposed "alliance" with Alstom would create a global energy leader based in France while strengthening Alstom's transport business.

"Tomorrow is made in France," the ads read, below a drawing of a plane – a hint at the jet engines GE makes via the US-French venture CFM – flying over a field of wind turbines.

GE chief executive Jeff Immelt told French lawmakers last month his group would set up global headquarters for the grid, hydro, offshore wind and steam turbines businesses in France. GE is also considering a tie-up in rail signalling that would give Alstom control of that business, he said.

A source close to the US conglomerate said "there is flexibility" in ongoing talks with the French government on the topic of job creation, the possibility of public or private investment in Alstom's hydroelectric and offshore wind unit as well as the rail signalling area and the possibility of maintaining French access to its nuclear steam turbine business.

The government is worried that Alstom would be too weak once reduced to its smaller transport arm, and has played up an alternative tie-up with Siemens, which also makes trains, as an opportunity to create a European rail champion.

But Alstom has not shown interest in Siemens's rolling stock, and Siemens, while saying it would discuss the possibility of combining transport operations, made no promises that a deal would happen.

"Siemens intends to discuss diligently and in good faith solutions which create a strong European champion with global reach and sustainable business strategies going forward in the fields of mobility in the best interest of all parties involved," it said. – Reuters, June 17, 2014.

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