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### BMW, Toyota could partner as VW and Suzuki get ready to split

**Japan's Toyota is reportedly in talks with Germany's BMW about a motor collaboration. Hopefully the two have better luck than Volkswagen and Suzuki, which are headed for a possible divorce in court.**

Just days after Toyota president Akio Toyoda spoke of plans to "deepen alliances" during a speech at a new plant opening in the United States, rumors have surfaced that the Japanese carmaker is talking with BMW.

Under the proposed deal, the German manufacturer would supply diesel engines to Toyota in return to access to its hybrid engine know-how, Japanese business daily Nikkei reported over the weekend.

Neither company is commenting on the market rumors. But analysts believe a collaboration is more than likely. The deal, they say, would capitalize on the two automakers' respective strengths in diesel and hybrid motors.

#### Achieving 'scale effects'

The Munich-based luxury carmaker is eager to sell as many diesel motors as possible while, at the same time, expanding into hybrid, electric and other new types of environmentally-friendly engines, according to Ferdinand Dudenhöffer, a professor at the University of Duisburg-Essen and director of its automotive research center. "BMW is keen to enter into partnerships to achieve scale effects," he told Deutsche Welle.

Toyota has struggled to expand in Europe where about half of passenger cars are powered by diesel engines.

"When it comes to diesel motors, it makes sense for Toyota to work with a strong partner," Dudenhöffer said. "Toyota should buy diesel technology from BMW instead of developing its own and continue investing in hybrid and other new types of motors." Demand for diesel motors - while still significant - is expected to drop noticeably over the next 10 to 15 years, according to Dudenhöffer.

Among its various partnerships, Toyota agreed earlier this year to team with Ford to build hybrid trucks and sport utility vehicles (SUVs).

#### Economic sense

BMW is also no stranger to partnerships, willing to team wherever it makes economic sense. Last year, for instance, the company signed a deal with France's SA Peugeot Citroen Group to jointly develop hybrid systems for subcompacts.

At the same time, BMW has stepped up efforts to sell motors to companies such as US police carmaker Carbon Motors and Sweden's Saab. After its failed merger with Chrysler, Daimler has also embraced partnerships with other automakers, including Nissan-Renault. So has the Volkswagen group, which includes the Audi and Skoda brands. But the German auto giant has shown an unlucky hand at partnering.

Last week, Suzuki said it had started arbitration procedures aimed at forcing VW to sell back its stake and thus end its two-year-old partnership with the Japanese company. Under their cooperation agreement, VW was to supply Suzuki with technology in return for gaining access to the huge Indian car market, where the Japanese carmaker has made inroads. But the partnership has yet to yield a joint project.

Their cooling relationship turned to ice earlier this year when VW described Suzuki as an "associate" in its 2010 annual report. Since then, the Japanese have been exploring all ways to end the relationship, including a trip soon to an international London court.

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