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Fiat to Build Cars Locally on Its Own

By The Moscow Times

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Fiat plans to build its own factory in Russia, after ending talks last month on a 2.3 billion euro ($3.2 billion) joint venture with Sollers, to meet a production target set by the government.

"We'll go it alone with our Russian project," Fiat chief executive Sergio Marchionne told reporters Wednesday at the Geneva Motor Show. "We have to keep an eye on our investments. We have a close dialogue with the Russian government."

The Turin, Italy-based company is considering various regions for the plant, including so-called special economic zones, Dmitry Levchenkov, an Economic Development Ministry department head, said in a telephone interview late Tuesday. Investment in such projects is usually about 1 billion euros, he said.

Fiat submitted a plan to build as many as 300,000 cars a year in the country, with the Fiat and Jeep brands as the mainstays of the project, the carmaker said last week.

"Our vehicles are very suitable for the Russian roads," Mike Manley, head of the Jeep brand,

said Tuesday.

Western carmakers sealed agreements to meet a Feb. 28 deadline set by Russia to confirm intentions to meet production targets in order to receive tax breaks.

"Virtually all major producers are interested in the new mechanism and as of today we have already signed six preliminary agreements," Economic Development Minister Elvira Nabiullina said Tuesday. "We have signed memorandums of understanding with them and they should present business plans to us by June 1."

Russia may become the world's sixth-largest auto market in 2020, with 4 million deliveries a year, the Boston Consulting Group said in a report earlier this month.

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