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Dispute With Russian Parter Stymies Fiat Van Assembly Plans

By The Moscow Times

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Italian carmaker Fiat SpA's plan to assemble its Ducato van in Russia has been put on hold due to a contractual dispute with its Russian partner, two sources close to the matter said.

Many western carmakers have invested heavily in recent years in Russia, which had been expected to overtake Germany as Europe's biggest market, but Russian car and van sales have been falling as the economy faltered and are expected to remain weak this year.

Fiat and Mosavtozil, a joint venture between Russia's top lender Sberbank and the city of Moscow to produce light commercial vehicles, or LCVs, at the Moscow government's century-old vehicle maker ZIL, signed a preliminary agreement to assemble Fiat Ducatos last year, with a view to starting production in the first quarter of 2014.

However, the start of production has been postponed after the sides failed to agree final terms, the sources said. As a result, a state invitation to tender for the supply of 500 million

rubles ($14 million) worth of equipment needed to set up production was cancelled last week, one of them added.

Igor Kulgan, head of Mosavtozil, confirmed the tender was cancelled, referring to the lack of a legally binding agreement between Fiat and Mosavtozil.

Fiat declined to comment.

Sberbank had previously opened a 16 billion-ruble credit line for Mosavtozil and a source at the bank said the lender would still support the van project.

Mosavtozil secured preliminary agreements to assemble both Fiat Ducatos and French group Renault's Master vans last year.

Renault is still considering the project and has yet to make a final decision, its Moscow-based representative said on Tuesday.

Previously Mosavtozil planned to assemble at least 40,000 LCVs a year at the Moscow site but Russia's LCV market fell by 3.4 percent to 179,727 vehicles last year.

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