

Ford plans to team with Sollers in Russia

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This photo made Feb. 10, 2011, shows the Ford emblem on the grill of a 2011 Ford Edge Sport AWD at the opening of the Pittsburgh International Auto Show, in Pittsburgh. Ford Motor Co. plans to team up with a Russian automaker to make and distribute cars in the country. The announcement came shortly after Italian automaker Fiat SpA backed out of a potential partnership with the same Russian company.(AP Photo/Keith Srakocic)

(AP) -- Ford Motor Co. is teaming up with Russian automaker Sollers to make and distribute cars in Russia, one of the fastest growing auto markets.

Under a deal announced Friday, Sollers will build Fords at Russian plants, helping boost a struggling local industry. Ford will have access to a huge market that could bolster its revenues.

Financial details weren't disclosed, but the [automakers](#) said they will

have equal stakes in their joint venture called Ford Sollers. Ford declined to give production or sales targets for the venture.

The announcement came shortly after Italian automaker Fiat SpA backed out of a potential partnership with the same Russian company. The unraveling of the Fiat Sollers venture gave Ford an opportunity to step in.

Ford and Sollers are expected to finalize their deal in June. The venture's operations could start by year's end.

The Dearborn, Mich., company began selling cars directly to Russians in 2002, and like many car makers is eager to expand business there as demand improves.

While domestic [auto companies](#) in Russia have been struggling, the market itself has been gaining strength. Car sales in Russia rose by 30 percent last year to 1.9 million, according to the Moscow-based Association of European Businesses. Nine of the 10 best-selling models were produced locally, while [Ford Focus](#) was in the top five best-sellers.

Ford's sales in Russia increased to 91,000 in 2010 from 82,000 the year before, but they haven't grown as fast as the rest of the market. Ford needs to grow in emerging markets such as Russia, Brazil, India and China to maintain momentum. The company's market share in the U.S., the most profitable region in the world, isn't expected to increase dramatically even though it has returned to profitability. It is relying on markets outside the U.S. to increase sales.

Ford's stock fell 20 cents, or 1.25 percent, to \$15.77 on Friday.

Under the Ford-Sollers deal, plants in the St. Petersburg region and Tatarstan will make Ford passenger cars, light commercial vehicles and

engines. The venture will also produce parts for Ford vehicles made in Russia and distribute imported Ford products and accessories.

The joint venture will help strengthen Russia's auto industry and its local supply base, said Ford of Europe CEO Stephen Odell.

Many automakers have used joint ventures to make inroads in international markets. General Motors' partnership with the Shanghai Automotive Industry Corp. in China has helped it become one of the largest automakers in the country.

Russia has poured millions of rubles into its stagnant car industry over the past decade to try to resuscitate it. Last year, the government said the industry would survive only in partnership with global players.

Fiat and Russian automaker Sollers had signed a memorandum of understanding last year to produce up to 500,000 vehicles a year in Russia in a bid to become the country's second-largest car maker. The two companies said in a joint statement Friday that they would "pursue independent strategies." Fiat owns U.S. automaker Chrysler.

Fiat's proposed partnership with Sollers had been viewed as a key joint venture. Prime Minister Vladimir Putin oversaw a high-profile ceremony last February that announced the potential deal. But the venture fell into a financial limbo for months after VEB, a Russian state-owned bank which was expected to give the [car makers](#) a 2.1 billion euro (\$2.85 billion) loan, said in December that Fiat and Sollers had not provided enough documents to support the application for the loan.

Fiat will maintain a presence in Russia. Sollers has a license to produce Fiat vehicles, including assembly of the Fiat Ducato light commercial vehicle.

Ford is not the only automaker angling for more of the Russian market. General Motors Co. increased its sales there 12.4 percent last year. Russia's largest automaker, AvtoVAZ, is partly owned by France's Renault SA.

Last week reports indicated that Toyota Motor Corp. would join forces with Sollers to boost its auto production in Russia. News reports said Toyota would use Sollers' existing factory in the Russian far eastern port city of Vladivostok to produce cars and possibly sport utility vehicles. Japanese firm Mitsui & Co. is also said to be joining Toyota in the Russian project.

A Toyota spokeswoman said at the time that nothing had been decided.

Russian market watchers were encouraged by last year's car sales. They forecast them to expand by another 20 percent this year, to at least 2.2 million, provided the economy continues to recover from a downturn. Sales last year were supported by the government's scrappage program which propped up sales of cheap cars, mainly Russian brands.

Although Russia's growing middle class prefers foreign cars, Russian brands still sell better because of their low prices, accounting for at least a third of all sales.

The country's number one brand Lada sold over 500,000 cars last year while the second most popular brand Chevrolet posted sales of slightly over 100,000 units.

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