Fiat Announces $1.3B Investment For New SUVs

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MILAN (AP) — Fiat CEO Sergio Marchionne will invest €1 billion ($1.32 billion) in the auto company's southern Italian factory to produce two SUV new models for global export.

The Italian automaker hopes the investment will revive its severely underutilized plants in its home country — where new car registrations are down by 20 percent this year, compared with 7 percent in the European Union.

Premier Mario Monti joined Marchionne at the Melfi plant in the Basilicata region for the announcement, an indication of the importance of the investment. Fiat remains Italy's largest private sector employer.

"It seems to me that Italy knows how to roll up its sleeves despite the evident difficulties and knows how to look with renewed trust toward the future," Monti said.

Marchionne said the plan to build a pair of small SUVs — one a new, smaller Jeep for global sale, the other in the expanding family of Fiat 500-based vehicles — would help the automaker stanch losses in Europe and address the underutilization of its Italian plants caused by the fall-off in demand in the economic crisis.

The Melfi factory would be modernized to reach a daily capacity of 1,600 vehicles, Fiat said. Production of the new models is to start in 2014 — and Fiat said the factory eventually could produce four distinct models on its assembly lines.

Fiat's factories in Italy have been running at about half capacity due to the drop in car demand. The Melfi plant, which makes the Punto compact car, has closed for about 150 days this year, sending its 5,500 workers home with reduced pay.

Under a new business plan announced in October, Fiat is shifting its focus in Italy to the export market with an emphasis on higher-profit luxury models. Fiat owns the Alfa Romeo, Maserati and Ferrari brands, and plans to launch two new Maseratis — the next generation of the Quattroporte sedan and the smaller Ghibli — and a new Alfa, the 4C sportscar, next year.

Marchionne said that the tie-up with Chrysler had given Fiat both access to premium car technology needed to expand its model lineups as well as access to global markets, notably North America and Asia, where Fiat had lagged.

Fiat's plans also include expanding its family of 500 models based on the update of the iconic city car launched in 2007. Fiat three months ago began selling the larger version, the 500L, built in Serbia.

Marchionne said Fiat's investment plan to launch the production of 17 new cars and seven updated models in Italy by 2016 demonstrates "the sense of responsibility Fiat feels towards the country."

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