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Analysis Of Automotive Spare Parts/ Repair Equipment Industry (s/s)

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Category/Department: General

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[From Eduardo Sandoval, "The Automobile Spare Parts and Repair Equipment Market in Mexico," US Embassy, Mexico City, March 1990, 11 p. IN National Trade Data Bank - The Export Connection. Market Research Reports. International Trade Administration, Washington, DC.] Market assessment The Mexican automotive industry is comprised of two branches: automobile and truck makers, and auto parts manufacturers. Companies with 50% or more total parts sales are defined as auto parts manufacturers. Under a 1962 presidential decree, at least 60% of materials and components in vehicles manufactured in Mexico must be local. The decree also stated that local content could be obtained via incorporating Mexican-made parts in the production of motor vehicles. The auto parts industry consists of about 500 companies. Sixty-five percent of plants are located in Mexico City; 12% in Monterrey; Queretaro, 4%; Puebla, 4%; Toluca, 4%; and, Guadalajara, 2%. Most companies are members of the National Auto Parts Association (INA). Under the Foreign Investment Law, auto parts fall into category four which means foreign investment is limited to 40%. Prior approval by the Foreign Investment Commission is required for foreign capital participation in auto parts enterprises. According to INA statistics, US capital accounts for 73% of total foreign investment in the industry. Next in the ranking are the UK, 8.7%; Germany, 6.4%; and, Japan, 3.5%. Mexican market for auto parts (\$ millions) Year Exports Imports US share of imports 1982 230.5 568.8 89 % 1983 392.7 357.3 87 1984 539.4 551.9 87 1985 507.8 589.1 86 1986 687.0 372.4 80 1987 1,228.0 392.6 87 1988 1,453.6 585.5 88 1989 1,570.8 698.3 86 Under a December 1989 decree, manufacturers of cars and trucks are required to purchase 36% of components from the local auto parts industry. With this decree and the expanding automotives market, the growth rate of the auto parts industry was projected at 9 to 10% per year in the 1990-1992 period. End user profile The most important end users of auto parts in Mexico are automotive manufacturers. According to INA, in 1989 over 55% of total sales went to vehicle manufacturers, 28% to the local after market, and 17% to exports. The largest auto and truck manufacturers in Mexico are Chrysler, Ford, General Motors, Nissan, Volkswagen and Dina. These firms operate a total of 15 plants in Mexico, of which 10 are US subsidiaries, two German, and three Japanese. The 100% foreign-owned plants manufacture automobiles, trucks and motors, accounting for 90% of total automotives production. According to the Mexican Automobile Industry Association (AMIA), output in 1989 was a record 642,000 units. Of the total, 273,738 automobiles, 171,395 trucks, and 674 buses were sold to domestic distributors. Domestic retail automotives sales, 1989 Total % of total 1989/1988 units production Automobiles 274,505 61.57 30.68 % Trucks 167,409 37.55 29.67 Trailer- 3,269 0.73 52.54 tractors Buses 680 0.15 11.84 Market participation by company, 1989 (four categories of automotives combined) Nissan 21.45 % Chrysler 20.94 Ford 19.56 Volkswagen 19.29 General Motors 16.25 Automobile sales by company, 1989 Units Market share Volkswagen 77,021 28 % Nissan 69,855 25 Chrysler 56,952 21 Ford 47,801 17 General Motors 22,876 8 General Motors registered the highest growth rate, 49.7%, from 1988 to 1989. Virtually all major auto companies have expanded manufacturing facilities in recent years. Nissan built two plants in Aguascalientes, one dedicated to body stamping and the other to motor assembly. Nissan spokespersons said the company planned to invest US\$1 billion

in 1990 in Aguascalientes retooling its existing plant and building a new one. The new plant was scheduled to be on-line by year-end 1992. Ford built a motor plant in Chihuahua with an annual output capacity of 450,000 units, and an assembly plant in Hermosillo with annual finished vehicle production capacity of 130,000. Chrysler's Mexico City plant is the sole worldwide producer of its Ramcharger. General Motors expanded two plants located in Coahuila, where finished vehicle capacity increased from 60,000 to 150,000 units, and motor output capacity is 500,000 per year. Volkswagen has increased export capacity at its Puebla plant. Renault has suspended production of finished cars in Mexico, but still manufactures six-cylinder motors for export. On December 1989, the government published a new decree stating that all car manufacturers must realize a balance of payments surplus. If they comply with the regulation, they will be allowed to import up to 15% of production content. No major changes in the industry were expected from the decree. Market access Sales in Mexico are usually made through local agents and distributors, normally operating on a commission basis. In the case of sales to the government, all suppliers must be registered with the Budget and Planning Ministry (SPP) and the purchasing agency itself. As a result of Mexican membership in the General Agreement on Tariffs and Trade (GATT) in 1986, the government has gradually opened the economy to foreign suppliers. Between year-end 1987 and March 1990, import duties were reduced to a maximum 30%, compared to 100% in 1983. As of March 1990, import permits were required on only 325 of the total 11,950 items under the Mexican Tariff Act. Mexico adopted the Harmonized System of Tariff Nomenclature on July 1, 1988. Import conditions for auto parts have improved significantly as a result of trade liberalization. Prior import permits are no longer required on most parts. Therefore, imports in this industry are subject to a maximum 20% ad valorem duty (AVD) assessed on the CIF invoice value. In addition, a customs processing fee (CPF) of 0.6% is assessed on the CIF invoice (see table below). Some manufacturers who use imported inputs under a government- approved manufacturing plan may have the duty and/or value added tax waived or rebated. Raw materials, intermediate inputs and machinery for use in manufacturing or assembling products for export are generally eligible to be imported either duty-free or under bond. Further information can be obtained from Mexican customs brokers or directly from Mexican Customs. Example of application of duties & taxes

Import Domestic C.I.F. Invoice Value	US\$10.00	US\$10.00	Ad-valorem duty (AVD), 20%	2.00	0.00	Customs processing fee, 0.6%	0.72	0.00	Total	\$12.72	\$10.00	Value added tax (VAT) 15%	1.91	1.50	Total	\$14.63	\$11.50
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There are no official metric requirements applicable to imports into Mexico. However, since the metric system is by law the official standard of weights and measures in Mexico, importers are usually required to use metric labeling for packaged goods, although the English system is also used. Dual labeling is acceptable. Imported products should be labeled in Spanish and contain the information below. Name of product Trade name Address of manufacturer Net content Serial number of part Date of manufacture Electrical specification Precautionary information on dangerous products Instructions for use Handling and/or product conservation Mandatory standards Mexico adheres to the International System of Units (SI) in both official and common practice. In addition to the technical standards, Mexico follows standards from ASME (American Society of Mechanical Engineers), ASTM (American Society for Testing of Materials), and SAE (Society of Automotive Engineers). Electrical standards are the same as in the US. Electric power is 60 cycles with normal voltage being 120, 220 and 400. Three phase and single phase 230 volt current are also available. Major producers of auto parts in Mexico Automanufacturas, S.A. de C.V. Carplastic, S.A. de C.V. Dina Cumins, S.A. Du Pont, S.A. de C.V. General Popo, S.A. Industria Automotriz, S.A. Nacional de Conductores Electricos, S.A. de C.V. Nemark, S.A. Rassini, S.A. de C.V. Renault Industria Mexicana, S.A. de C.V. Transmisiones Equipos Mecanicos, S.A. Vitro Flex, S.A. Aislantes Leon, S.A. Arelex, S.A. de C.V.

Autoforjas, S.A. de C.V. A.M.P. de Mexico, S.A. Bendix Mexicana, S.A. de C.V. Bujias Champion de Mexico, S.A. Bujias Mexicanas, S.A. de C.V. Cav-Inyec Diesel, S.A. de C.V. Compania Hulera Euzkadi, S.A. Compania Hulera Goodyear Oxo, S.A. Cristales Inastillables de Mexico, S.A. Eaton Ejes, S.A. de C.V. Electronica Clarion, S.A. de C.V. Engranos Conicos, S.A. de C.V. Gates Rubber de Mexico, S.A. de C.V. Kenfabrica, S.A. de C.V. Mar-Hino, S.A. Moresa Industrial, S.A. de C.V. Moto Diesel Mex, S.A. de C.V. Precision Mecanica Nacional, S.A. de C.V. Productos Estampados Mex, S.A. Resortes Mecanicos, S.A. Rodamientos Conicos, S.A. de C.V. Sistemas y Componentes Electricos, S.A. de C.V. Tebo, S.A. Transmisiones Servicio Pesado, S.A. Technologies used in Mexican auto parts industry Product Company Technology Piston rings Sealed Power de Sealed Power (anillos para Mexico piston) Autoprecisa Perfect Circle Water and oil pumps Atsugi Mexicana (bombas de agua y Bocar aceite) Pierburg Spark plugs (bujias) Bujias Champion Champion Intrl. Bujias Mexicanas General Motors Smith Indust. Bearings (cojinetes) Federal Mogul, S.A. Federal Mogul JPI Industries Pistons (pistones) Moresa MAHLE Radiators Mex Par (radiadores) Modine Axles Eaton Ejes S.A. Eaton (ejes) Ejes Tractivos DANA Dina Rockwell Nal. Rockwell Intl. Clutch (embragues) Implementos Internacionales Luk Drive shaft (flecha Cardanes, S.A. DANA cardan) Melcon, S.A. GKN Transmissions Tremec, S.A. Clark (transmisiones) TSP, S.A. DANA Shock absorbers Aralmex, S.A. Boge (amortiguadores) Gabriel de Mexico Maremont Chassis (chasises) Metalsa A.O. Smith Brakes (frenos) Automanufacturas, S.A. Budd Bendix Mexicana Allied Corp. Tebo, S.A. Alfred Teves Springs (muelles) Springs Rassini, S.A. NHK Suspension systems Suspensiones Hosch (suspensiones) Automotrices Hohelinburg Wheels (ruedas de Kelsey Hayes Mexico Kelsey Hayes acero y aluminio) I.A.S.A. Budd, Goodyear Fabric (telas) Ind. Automotriz, S.A. Bud C. Clearing Metalsa A.O. Smith Pensa Gen. Motors (Fisher) Starters, Automagneto, S.A. Bosch alternators & IEA, S.A. Magneto Marelli regulators (alternadores, motores de arranque, reguladores) Batteries Roberto Diener, S.A. Richardson Co. (baterias) Monterrey Clorhide Exide Internl. Automobile production by company, 1988 & 1989 (units) 1988 1989 Chrysler 48,800 57,058 Ford Motor Company 32,454 47,580 General Motors 15,089 22,839 Nissan 60,076 70,005 Volkswagen 52,362 76,256 Truck production by company, 1988 & 1989 (units) 1988 1989 Chrysler 31,284 36,548 Diesel Nacional 2,227 4,613 Fab. Autotraspor. Mex. 2,017 3,216 Ford Motor Company 29,938 39,111 Nissan 22,193 25,742 Trailers de Monterrey 19 43 Volkswagen 6,299 9,053

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