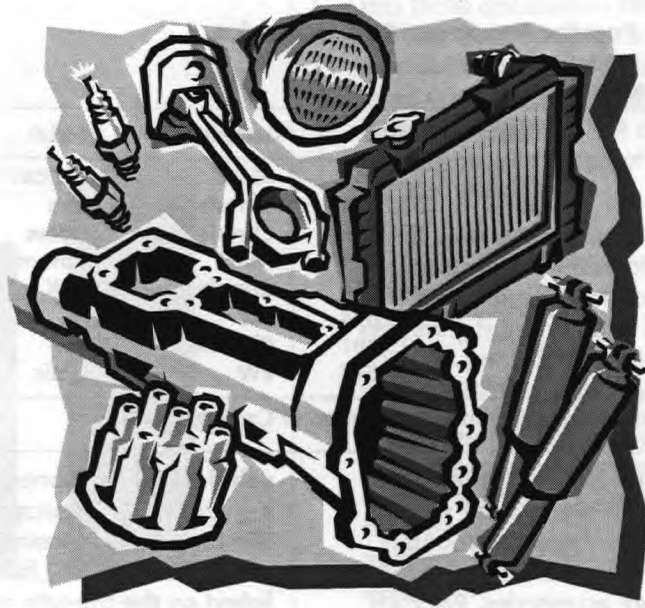


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Automotive Aftermarket Products



HIGHLIGHTS

There are major opportunities for Canadian companies in the Mexican automotive aftermarket parts sector:

- vehicle ownership is growing rapidly in Mexico;
- average vehicle age is 12 years, generating a large demand for replacement parts and accessories;
- reduced tariffs will improve the competitiveness of Canadian parts;
- Mexican parts companies will be forced to become more competitive, creating opportunities for joint ventures with Canadian producers;
- the Mexican parts distribution system is inefficient and can benefit from joint venture partnerships;
- parts sales through retail chains and franchises are an emerging trend; and
- new environmental regulations are increasing the demand for diagnostic, maintenance and repair equipment.

THE OPPORTUNITY

As a result of the Canada-U.S. Auto Pact, and the access afforded to Mexican producers under that Agreement, the North American auto industry is already highly integrated. Under the North American Free Trade Agreement (NAFTA), it will continue to function in a "managed trade" environment.

Although aftermarket parts were not covered by the Auto Pact, the Canada-U.S. Free Trade Agreement

(FTA) has created almost unhindered trade in these parts between the U.S. and Canada. The NAFTA will extend these conditions to Mexican markets. The result will be enormous opportunities for Canadian parts manufacturers, especially Canadian-owned firms, free to sell and invest in Mexico.

As the NAFTA changes are phased in, local content requirements for vehicles will disappear, and Mexican parts companies will come under increasing foreign competition. They will be seeking joint ventures with Canadian and U.S. companies that can make them technologically competitive.

THE MEXICAN AUTOMOTIVE PARC

Mexico's vehicle fleet (or *parc*) is much different from Canada's, and this greatly affects sales of aftermarket parts. According to official records, there were about 10 million vehicles in use in Mexico in 1990. Other estimates suggest that the true number may be significantly lower, with perhaps one passenger car for every 15 people. The average vehicle age is between 10 and 12 years, compared with seven years in Canada and eight in the U.S.

SUMMARY REPORT

The Department of Foreign Affairs and International Trade has prepared a market profile entitled *Opportunities in Mexico: Automotive Aftermarket Products*. The Table of Contents for this profile is listed below. This summary of the **Automotive Aftermarket Products in Mexico** profile has been produced and published by Prospectus Inc. under the Access North America Program, along with other sector profiles and summaries on business opportunities in Mexico. It is available from:

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There are two positive implications for aftermarket parts suppliers. First, the automobile is more of a luxury in Mexico than in the rest of North America. The family car is usually a prized asset, and maintenance is

