

1. INTRODUCTION

Scope of the report

Intense competition between vehicle companies, a focus on safety and concerns for the environment are the principal drivers of technology in the automotive industry. As the market adapts and adjusts to new products, materials and business processes, profound changes are occurring which require new skill sets, revisions to product mix, new handling procedures, as well as the reorganization of both staff roles and physical facilities.

The objective of this report is to describe and analyse the recent development of the automotive industry in Argentina, with particular emphasis on the changes that have occurred in the last decade as a result of restructuring in response to the globalization of production and intensified international competition. Within this context the report will try to assess the future prospects of the industry by drawing out the implications of the continuing prospects of restructuring, particularly in light of the Mercosur agreement.

Through personal interviews held with a number of senior executives from automotive organizations, it was unanimously agreed that the industry needs to make large investments in plant, equipment and technology to upgrade and modernize to meet competitive threats. This need to modernize offers significant opportunities for Canadian companies since this is an industry in which Canadians have developed substantial expertise in the way of technology, equipment and services.

All information, data and advice given in this report are based on the best information available at the time of writing.

2. ARGENTINE INDUSTRY BACKGROUND

During the past few years, the Argentine automotive industry has undergone a major transformation, driven by an integration with the Brazilian market and the creation of Mercosur. The new competitive needs of the Brazilian market have originated the creation of new plants with an organizational and technological design linked to the new opportunities.

The Argentine automotive sector has the following characteristics: only three automobile companies account for 95% of the market and consumer demand is highly dispersed among the models offered. Sevel (Fiat and Peugeot), Autolatina (Ford and VW) and Ciadea (Renault) produce automobiles, vans, and small trucks. General Motors (GM) has recently begun production of a pickup truck. There are another three companies that produce heavy vehicles: Fiat Iveco, Scania and Mercedes-Benz.