

5. Automotive Parts

a) The Opportunity

The Australian automobile industry has traditionally been domestically oriented. Annual car sales are approximately 500,000 units, of which 80 per cent must, by law, be domestically produced with a local content of at least 85 per cent. The remaining 15 per cent of the total production cost can be imported duty free. In addition to a 20 per cent quota on imports, the tariff on imported vehicles is 57.5 per cent. Exports have been minimal. Credits for exports will be introduced in 1982, however, and by 1985 local content will drop to 77.5 per cent in a complementation scheme whereby exports will be allowed to offset imports on a dollar-for-dollar basis. As a direct result of this scheme, General Motors-Holden (GMH) is building a four-cylinder engine plant whose output will go mainly to Europe and North America. A similar scheme has been introduced for parts manufacturers.

In addition to GMH, four other passenger vehicle manufacturers are particularly active in Australia. They are Ford, Mitsubishi (formerly Chrysler), Toyota and Datsun. GMH has about 29 per cent of the market; Ford 22.9 per cent; Datsun, Toyota and Mitsubishi about 11 per cent each. Volvo, Peugeot and some Leyland vehicles are also assembled locally. The Renault assembly plant was closed recently. Market demand has recently shifted to smaller four-cylinder cars as it has in North America, and G.M. is planning to produce its J-car in Australia. There is also a scramble to reduce the size of vehicles and make them more fuel efficient.

Component manufacturers produce a wide range of original equipment (OEM) and aftermarket (AM) parts and accessories. Most of the multinational corporations operate parts plants in Australia. The largest Australian firm is REPCO, which manufactures, reconditions, wholesales, retails, services, finances and exports auto parts. The company employs more than 11,000 people and operates 48 manufacturing plants, nine of which are outside Australia. Sales exceeded \$554 million in 1979-80.

Yet, although Australia manufactures a wide range of parts, it imports almost \$532 million worth of components. While the majority of imports came from the U.S., Japan and Germany, in 1980 Canada exported \$61 million of auto parts to Australia.