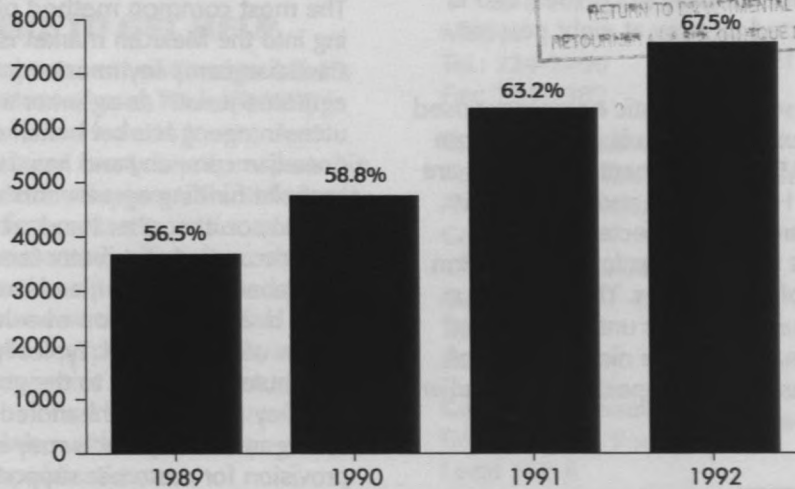


Auto Parts Imports

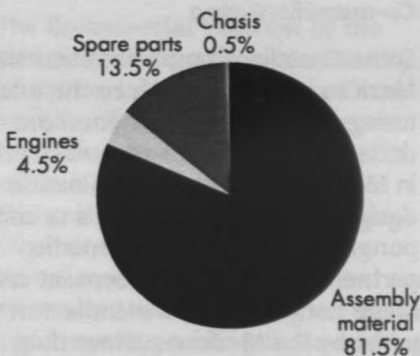
Percentage of Domestic Consumption

\$US millions



Source: Industria Nacional de Autopartes (INA), National Auto Parts Industry.

Imports by Category, 1992



Source: Banco de México, Mexico's Central Bank.

to more than US \$34 billion by the turn of the century. Compared with Canada's saturated automotive markets, it represents an enormous opportunity.

Not all this spending is for parts, but the parts component is larger in Mexico than in the United States and Canada. Labour costs are comparatively low and parts costs are high due to tariffs and inefficient distribution. The older Mexican vehicle *parc* also creates more sales of accessories (see table).

PARTS DISTRIBUTION

Five original equipment manufacturers constitute the total market for Original Equipment Manufacturer (OEM) car parts. They are the U.S. "big three" plus Volkswagen and Nissan. Another six companies make heavy trucks and buses. The U.S. Office of Technology Assessment projects their 1995 consumption of parts at US \$8.7 billion.

Aftermarket Spending By Category Share, 1992

Percentage of total

	Mexico	U.S.	Canada
Labour	25	50	40
Hard parts	48	29	38
Motor oil and chemicals	5	4	4
Tires	14	10	12
Accessories	8	7	6

Source: DesRosiers Automotive Consultants and the Automotive Parts and Accessories Association (APAA), Washington, D.C., U.S.A.

The market is divided roughly equally into three distribution streams: direct sales to OEM dealers, sales to service establishments by wholesalers, and retail sales. Including their purchases from wholesalers, OEM dealers account for about half of the total parts aftermarket.

Retail sales are relatively high because older cars are often serviced by small independent mechanics, operating from home or in the streets. They get parts from local retailers or from customers who buy their own.

Tire stores and automotive centres in retail chains are beginning to capture a larger segment of the market, especially for tires, oil changes, shocks, mufflers, brakes and other underbody items.

Parts distribution is not as concentrated in Mexico as it is in the rest of North America. There are perhaps 50 significant distributors, while an additional 500 companies operate as jobber/wholesalers. Only five of the largest distributors operate substantial warehouses, and they are small by Canadian standards. They typically carry name brand parts with up to 20,000 different items in stock at any time.

PRODUCT OPPORTUNITIES

Interviews conducted in Mexico by the Automotive Industries Association of Canada (AIAC) identified a number of specific opportunities for which Canadian producers are well suited. The most important are: rebuilt parts, filters and batteries, tires, accessories, and garage equipment and tools.

Rebuilt Parts

There is no established supply of rebuilt parts in Mexico, and this situation creates an opportunity for Canadian companies with experience in this field. Parts in this category might include alternators, starters, carburetors, water pumps, clutches and brake products. Joint ventures with local companies which can sup-

