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Iran Car Industry Policies

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Abstract: Iran government has taken a new policy called Import Replacement in the recent three decades. Although export extension is the future goal of this industry. We have got four periods during these years. The first period is an abortive support to this industry without any schedule. The second period during the time of the imposed war is a decade of effort to exist. But the outcome was to move awkwardly. The third period is at the same time as the economic modification policy and is a kind of lost opportunity with positive actions but in year 1974 this industry was born and came in to existence again, the outset of investments that can draw a clear vision into the future.

Key words: Car industry, economic siege, part makers, car producers, production, strategic goals

INTRODUCTION

In this study at first we focus on the government policy trend in car industry before revolution until now and after that we present different statistics, trends and diagrams related to car industry to get better and clearer understanding of this industry in present and future. Also due to the importance of part making industry we have brought a summary of this industry. Finally, by presenting some tables we concentrate on the Iran car industry position in the world and comparing it with other countries.

In a general division, we can put the government policy in to four groups. There is no need to say that the policy in all these four periods is Import Replacement and there is a long way to achieve export extension.

First period (1969 to 1978): we can call this period an abortive support period because the government does not have any stable and purposeful schedule.

In the first five years due to the lack of foreign exchange for car import, private sectors were encouraged in industrial investment to invest the profit gained. Investor's security were provided and copious of bank opportunities were available and again there was import limitation. But from 1974, increase on foreign exchange salaries caused the first hit on the industrial investment and encouraged stock brokers.

Main problem in this period is related to investor's traditional view (make a copy of every thing), no need for buying technical knowledge and a few numbers of bases for making and producing.

By the way, after Islamic revolution in Iran, the project of changing the PAYKAN production line (old technology about 20 years old) was stopped and forgotten. Ayyobi^[1] describes the statistics related to the first period which are shown in Table 1.

Second period (1979 to 1989): This period is a decade of effort to exist. Problems for establishing the revolution, foreign exchange crisis, bombardment of cities, economic siege and war productions are all characteristics attached to this period. But one thing made this situation worse than what it really was. An opposing atmosphere against the nobility and investment in bus, truck parts and in cars dates back to 20 years ago. Neither the government nor the private sectors had enough money for buying facilities. This caused an inappropriate situation for part makers to invest their money. Another government policy was to control and fix the selling price in spite of difference in prices at the market. Meanwhile it was not economical to make parts in Iran.

Although in the last 2 years there was a 13 million dollar investment in 11 companies, but some politicians' opposition after signing Peugeot contract caused this contract to be boycotted. May be making national car will be possible in 2 years.

The only result at the end of this period was no investment in this industry and inefficient machines and workforce which had a worse situation than the year 1989. Ayyobi^[1] describes the statistics related to the second period which are shown in Table 2.

Third period (1990 to 1993): It was the best opportunity which was lost. Adopting the economic modification policy and abundant foreign exchange and as a result freedom of import led to the second great hit on the part makers. Two million dollars of foreign exchange exit and 164 thousand cars entrance were positive from people's point of view and negative from car producers' point of view. Some people believe that by using that lost foreign exchange we could easily buy machines and facilities and increase our technical knowledge and abilities. (Although our spurious proud does not let us learn about the latest and the most up-to-date discoveries around the world.)

Table 1: Statistics related to the first period (1969-1978)

Import share from supply	Total import	Average annual import	Total supply	Total production	Average annual production
29	314151	31415	1086007	771856	77185

Table 2: Statistics related to the second period (1979-1989)

Import share from supply	Total import	Average annual import	Total supply	Total production	Average annual production
20	265326	21048	1430942	1145607	80582

Table 3: Statistics related to the third period (1990-1993)

Import share from supply	Total import	Average annual import	Total supply	Total production	Average annual production
7.5	42661	8532	569568	526907	105381

Table 4: Different stages of being a car maker in Iran industry

Stage No.	Stage name	Description	Success rate	Prediction
1	Assembling	1348 to 1368	Desirable	Desirable
2	Part making	1372 till now	Too fast	Absolutely desirable
3	Car design	1376 till now	Average	difficult
4	Mass production	1378 till now	Appropriate	Desirable
5	Initial export	Limited	-	Difficult
6	Car export	-	-	Difficult

We could increase our production line to 500 thousand sets, renovate the refinery to produce standardized fuel and the most important thing was to create job opportunities.

But one of the positive and efficient actions was to pass a law related to cars that firstly, made an import free by the most expensive foreign exchange and secondly, took into consideration some official discounts for part-makers as a motivation.

Establishing the design and engineering company and freedom of selling price were the other efficient actions.

To recapitulate, we can say that we just stayed at the position during these 15 years between 1979 and 1993 especially no investment in industry and not buying technical knowledge caused these facilities to be older. Amini^[2] describes the statistics related to the second third which are shown in Table 3

Forth period (from 1994 up to 2005): To be awake after hibernating for 15 years. In year 1994 car industry came in to existence again. The out set of people investment, decrease on oil price, lack of foreign exchange and lots of debts caused an increase on the foreign exchange rate that led to shortage of cash flow. In this period, private sectors invested 500,000,000 \$ in part-making. A general program of about 5 to 7 years was written by car producers and design and engineering companies became

active. Results were these: attracting people’s reliability and private sectors’ investment and employing 2000 young engineers which led to an increase on internal part making. Amini^[2] describes the different stages of being a car maker in Iran industry as shown in Table 4.

The important thing in previous policies was the dependency of production rate to country foreign exchange salaries. As soon as the country foreign exchange salary increased, car import and also car production increased and visa versa. But for the first time after 28 years and due to the oil price decrease to 8 \$ in each barrel, the production line went on progressing and import rate decreased.

We can show the Iran part-making situation in Table 5 based on provider assessing model. The Strategic planning committee in iran^[3] describes the iran part-making situation as shown in Table 5.

Due to the car national document, car makers are supposed to put premium on costumers in order to achieve global standardizing in their organization, work force, products. Car industry’s goals are responsible for people’s need, helping the progress of the industry and creating job opportunities.

Strategic goals of car industry in the third progression program described by Rahimi^[4] are as follows:

1. Reaching a production level with a consistency in economic scale
2. Reaching quality goals at the global standardizing level
3. Increasing industry efficiency
4. Decreasing the consumption of fuel
5. Promoting the technical, engineering and designing abilities with regard to technical knowledge transfer
6. Emphasizing on new investments with export point of view
7. Research center and technical inspection development
8. Releasing part, CDK, final product and technical support

Car industry’s warrant to society:

1. Production increase/ product variety
2. Promote the quality of products
3. Decreasing the cost of production
4. Decreasing the total price
5. Decreasing fuel consumption
6. Increase the daily selling and avoid the increase on car price

Table 5: Iran part-making situation

Main index	Ingredient	Criterion	Strengths and weaknesses	Final assessment
Part-maker's effectiveness	Price	Control and decrease price	- No accurate control because of uncompetitive market - Possibility of cost and price reduction-	It needs careful planning and observation and using engineering methods
	Quality	Quality in design and making	- Old technology -lack of money for investment - Potential ability in designing and engineering - Having experienced work force	We can promote and increase the quality of parts
	Support and technical ability	Ordering policy and reliability	- Inflexibility in production -production planning problems -delay in orderings -teaching SPC.TIT - Car makers and part makers' enthusiasm in solving production problems	Due to the fact that most of problems here are as a result of other industry, it is really difficult to solve it
Part-maker's efficiency	Organizing and managing	Personnel, management, Procedures, information system	- Eager but inexperienced personnel-management problems -information system problems - Organizing problems-popularity of management concepts	Due to the managerial structure, it is the most difficult period and is a weakness in part making industry

Table 6: Iran car industry position

Index	Maximum	Minimum	Iran rank
Production volume	1	10	6
Predicted progression	1	10	3
Predicted dangers	1	10	7
Part production opportunity	1	10	8
Total production opportunity	4	40	24
Production opportunity rank among other contries	1	79	42

7. Attracting costumer satisfaction
8. Providing export opportunities
9. Research level, resource quality and efficient system promotion

Salimian abbas^[5] describes the iran car industry position which are shown in Table 6.

DISCUSSION

Car national documents, strategic goals of car industry and car industry commitment to society are all effective stages. If we have a look at the different stages in car industry, you can conspicuously feel the progress. But now that's not the time for losing opportunities one by one and we should pay attention to our experience and to global knowledge. we should not support this industry with closed eyes. If (as a pretext to

support car industry) we avoid any relations with other countries, we can support our industry and avoid being a consumer but we should take it in to consideration that if Iran car industry can not eliminate its gap with the world car industry, sooner or later people and industry will get harmed. It is been proved that without competition, quality has not been defined. If we pay heed to this point, we can move along a safe way and there is no need to take unnecessary risk.

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