How much it will cost you to operate in Mexico

UNDERSTANDING WHERE THE REAL PROFITS COME FROM
About American Industries Group

American Industries Group has helped over 200 global companies to successfully start up and grow distribution and manufacturing operations throughout Mexico since 1976 through Site Selection, Incubator Programs, Administrative “Shelter” services and Industrial Real Estate.

Regions, Incubator Locations, Shelter & Real Estate Customers

- Juárez
- El Paso
- Gómez Farias
- Chihuahua
- Delicias
- Camargo
- Gómez Palacio & Torreon
- Monclova
- Reynosa
- Monterrey
- Saltillo
- San Luis Potosi
- Guadalajara
- León
- Querétaro
- México D.F.
- Silao
- Regional Offices, Incubator Locations
- Shelter and/or Real Estate Customers

Shelter & Start-up Services

- 52 Customers currently served
- Over 10,400 Customer’s headcount
- Over 30,000 trouble-free import and export transactions per year

Real Estate

We have built over 12 M Sq. Ft. Portfolio in the most important industrial regions throughout Mexico.
How we help companies to succeed in Mexico:

We are present at all stages of your industrial business needs in Mexico:

- **Site Selection**: We help you find the right location for your operations in Mexico including the coordination of business agendas in different regions.

- **Start up under an Incubator Shelter Program**: We take care of all start up, legal, operational and environmental permits, human resources, customs, logistics, fiscal, accounting and all the administrative part of the business.

- **Expansion in other regions in Mexico**: We help you grow your business by working together with industrial clusters and associations to promote your business in different regions in Mexico.

- **Supply Chain / Divisions Relocation**: We help you to educate and relocate your foreign suppliers or other divisions near your operations in Mexico.
What we’ll cover today

1. Real Estate Costs: land, construction & leasing
2. Utilities costs
3. Labor costs
4. Logistics costs
5. Customs costs
6. Administrative & Legal costs
7. Getting a cost model simulation
Real estate costs: land, construction and leasing

Industrial real estate costs will vary from one region to another, especially if you select a greenfield vs an existing facility.

If you are looking for land for a build-to-suit project, make sure that you perform your due diligence regarding the ownership titles, use of land permits, access to utilities and infrastructure.

The costs of land will range between US$2.50 and US$6 per Sq. Ft.

Then, you will have to consider construction costs, ranging from US$27 to US$35 per Sq. Ft.

Obviously, you will have to consider the type of soil because it will have a direct impact on the construction costs.

It's recommended to bid the construction project with key players in the market so that you get your facility built-to-suit your specifications and on time.

You can also get an Industrial Real Estate developer to find the land reserve and build the facility to fit your needs on a leasing term.

If you prefer to find an existing facility, you will find costs between US$4.20 and US$5.60.
Utilities costs

Industrial real estate costs will vary from one region to another, especially if you select a greenfield vs an existing facility.

Before selecting any real estate facility or land for a build-to-suit project, make sure it has enough available utilities (access to infrastructure) to support your operations in the short and long run.

Electricity costs range between US$0.09 and US$0.11 KWh. You need to make sure there are enough KVAs as part of the available infrastructure.

Water costs range between US$5 and US$9 per 1K Gallons.

Gas costs range between US$4.90 and US$6.70 1 M BTUs.
Labor costs

Skilled and unskilled labor costs will vary from one region to another, especially when you calculate the fully loaded cost per employee (salaries + fringe + market benefits) to be able to retain employees and to maintain a stable working environment. Market benefits might include savings fund, transportation, cafeteria, medical insurance, among other features based on what the regional market offers beyond fringe benefits to that type of worker.

For the following generic positions, these are fully loaded costs ranges that you will observe:

- Unskilled direct labor costs range between US$1.95 to US$3.45 per clock hour.
- Skilled direct labor from US$2.79 to US$7.16 per clock hour.
- Technicians from US$4.50 to US$7.90 per clock hour.
- Engineers from US$7.83 to US$19 per clock hour.
- Managers range from US$22 to US$53 per clock hour.

Note: you might find fluctuations in the cost ranges because of exchange rates.
Logistics costs

Logistics will be an important cost ingredient for you or for your clients, especially when compiling the total landed cost of delivering your goods to your clients' doors.

Here are the different elements that have an impact on the logistics costs:

Type of transportation:
- Full or partial truck loads at an average of US$1.60 / mile
- Railroad
- Air transportation

There are different costs attached to logistics more than calculating the cost per mile or kilometer:
- Insurance
- Security (depending on the load value)
Customs costs

In addition to logistics costs, you need to integrate customs cost, which include the following direct and indirect costs:

Direct costs:
- Mexican customs broker fees: which vary depending on the US-Mexico border you use (some have a flat fee, some charge a percentage of your truck load)
- US customs broker fees
- Use of bonded warehousing services
- Pedimento (document to import raw materials into Mexico)
- Tariffs and taxes: amounts vary depending on Free Trade Agreements, Maquila Permits and according to how your Customs Agents fill out your imports-exports paperwork.

Indirect costs:
- Access to Mexican customs software
- Long lines to cross the US-Border with finished goods (Unless you have certifications like ALTEX and C-TPAT)
Administrative & Legal costs

Starting and running a distribution or manufacturing operation in Mexico can be a daunting task, especially when there are multiple moving parts at the same time.

If you make a mistake because of not being an expert in doing business in Mexico, your operations might suffer fines, delays and sometimes even operation shutdowns.

Operating in Mexico, will have direct and indirect costs in the following areas:

- Start up, environmental and operational permits: Economy Secretariat, SAT, IMSS, STPS, Utilities authorities, state and local authorities.
- Recruitment: searching, hiring, training, certifying and retaining the right labor compliant with the Labor Law and market.
- Payroll management (compliant)
- Customs and logistics coordination
- Property management

It’s suggested to get the assistance of a Soft-Landing Start Up Facilitator whose core business is helping other industrial companies with their administrative and legal compliance and operations. This way, you will avoid costly fines and delays to serve your clients.
Getting a cost simulation

You have already seen different types of costs that will have an impact on your distribution or manufacturing total operation cost. However, putting all the pieces together require more than just adding up numbers.

There might be a lot of hidden costs based on “small picture” assumptions, such as going to a certain location with the wrong type of skillset, suppliers or infrastructure to support your operations.

We suggest you get a Free Cost Model Simulation where you can compare the total cost of doing business in key industrial regions in Mexico.

The cost model simulation tailored to your project in Mexico will include direct costs of:

- Direct and indirect labor
- Real estate and utilities
- Customs & Logistics
- Administrative, legal and other indirect costs
Sign Up for a Free Cost Model Simulation & Strategy Session:

What you’ll get:

A committed partner to help you find the best location in Mexico

Confidential Assistance

A total cost per hour estimate depending on the following criteria:

- Number of employees
- Size of your real estate facility
- Cross-border transportation
- Overhead

A comparison of the total cost per hour of different regions

Sign up now to get your free site selection analysis at:

http://www.americanindustriesgroup.com/free-strategy-session.html
Sign up now to get your free site Strategy Session at: http://CostModel.ShelterServicesInMexico.com

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Thank You

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