



How Much It Will Cost You to Operate in Mexico

American Industries

Partner for Success

How Much It Will Cost You **to Operate in Mexico**

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1. Real Estate Costs: Land, Construction and Leasing



Industrial Real Estate costs will vary from one region to another, especially if you select a greenfield versus an existing facility.



If you are looking for land for a build-to-suit project, you may consider performing a 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 is recommended to bid the construction project with key players in the market so that you get your facility built-to-suit according to your specifications and on time.

An Industrial Real Estate developer can help you to find a land reserve and build a 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.

2. Utilities Costs



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



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

- 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 per 1 M BTUs

3. Labor Costs



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.



Skilled and unskilled labor costs will vary from one region to another, especially when you calculate the fully loaded cost per employee; and to maintain a stable working environment.

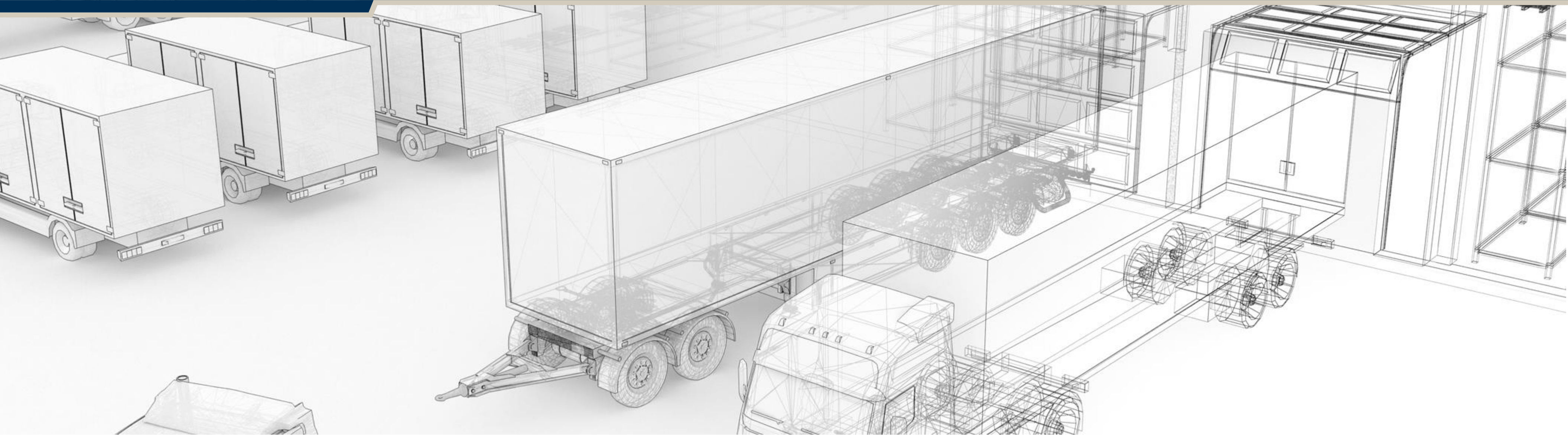
For the following generic positions, these are fully loaded costs ranges that you will observe:

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

Note: You might find fluctuations in the cost ranges because of exchange rates.

4. Logistics Costs

Logistics play an important role when it comes to 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:

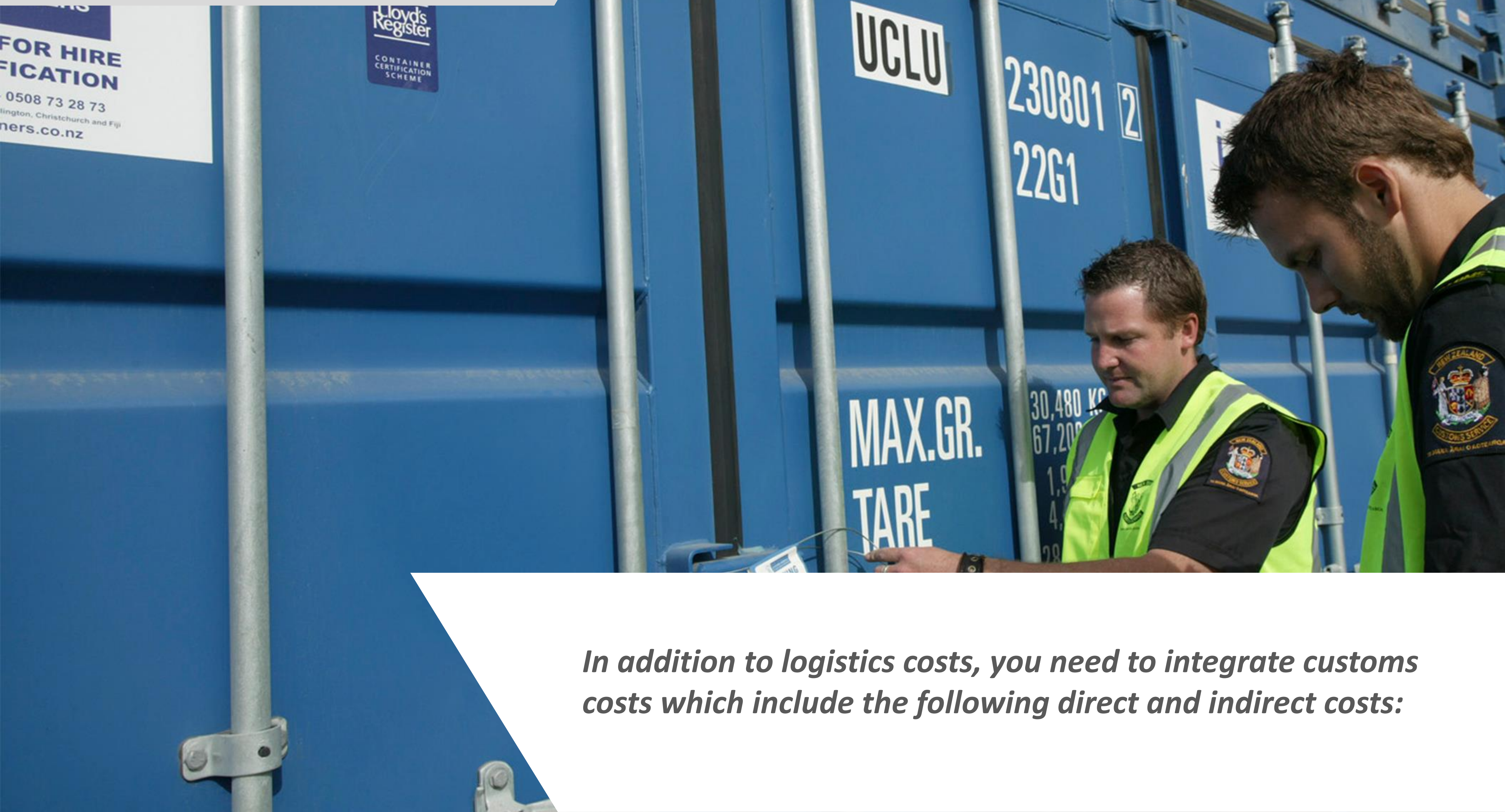
Type of Transportation.-

- Full or partial truck loads
- Railroad
- Air transportation

There are different costs attached to logistics, more than calculating the cost per mile or kilometer.-

- Insurance
- Security escort (depending on the load value)

5. Customs Costs



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



Direct Costs:

- Mexican customs broker fees: vary depending on the U.S.-Mexico border you use (some have a flat fee; some charge a percentage of your truck load)
- U.S. customs broker fees
- Use of bonded warehousing services
- Pedimento (document to import raw materials into Mexico)
- Tariffs and taxes: amount 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 (required by law)
- Long lines to cross the U.S.-Border with finished goods (unless you have certifications like OEA and C-TPAT)

6. Administrative and Legal Costs

A lack of information and proper assistance, in your seek of doing business in Mexico, can be detrimental to your business, in such way that your operation may face fines, delays, and even operation shutdowns.

The background of the entire page is a composite image. It shows a man in a dark suit and tie, seen from behind, standing on a high vantage point and looking out over a city skyline at night. The city lights are visible in the distance. Overlaid on this image are large, semi-transparent, light blue shapes that resemble the lapels of a suit jacket, framing the central text.

Mexico's Industrial Shelter Program

*Designed to make it easy for
your company to
start operations in Mexico*

- ✓ B2B meetings and business agenda coordination with the local clusters to help you promote your products and services
- ✓ Real Estate space: Starting from 5,000 Sq. Ft.
- ✓ Freedom to start doing business in Mexico without a legal entity
- ✓ Legal and operational permits: Fast start in 9 weeks
- ✓ Human resources: We will help you find and recruit your sales, distribution and operations staff (starting from 5 employees)
- ✓ Government incentives negotiation on technical training and other applicable
- ✓ Customs: We will help you get the maximum tariffs savings from the free-trade agreements with over 40 countries for your imports and exports
- ✓ Fiscal and accounting management
- ✓ No income tax for the first 4 years
- ✓ No VAT effect on cash flow
- ✓ No startup or exit fees
- ✓ No risks, nor legal or administrative liabilities

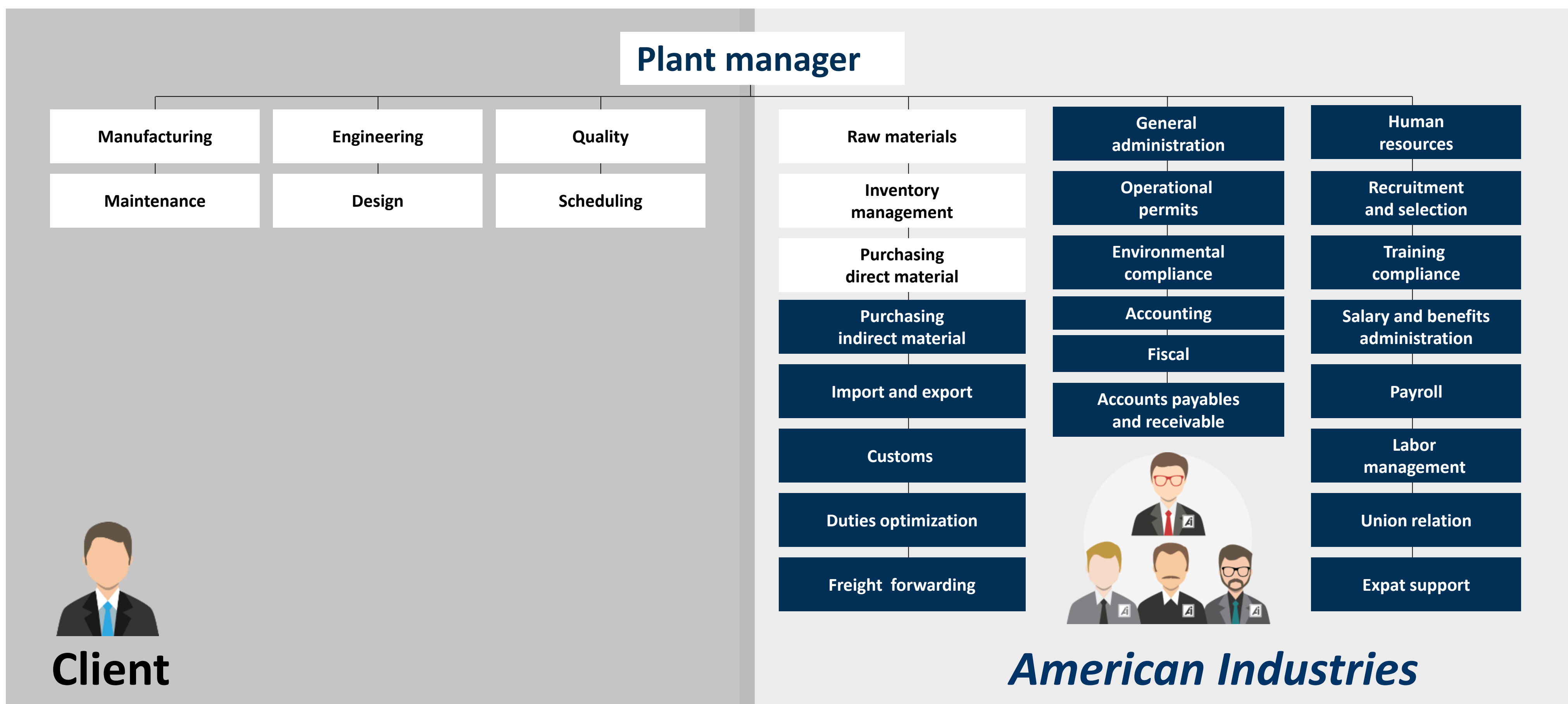
Amongst other benefits, the Shelter Program gives you the alternative to improve the total cost for your customers due to our free-trade agreements.

These are some of the legalities you will not have to worry about with the Shelter Program:

- Duties and taxes on raw materials, machinery, and equipment
- Clearance (northbound, southbound, and in-bond)
- Other Government Agencies (FCC, FDA, USDA, HAZMAT)
- Freight forwarding
(Consolidating and warehousing)
- Mexican and US Customs Broker
- Customs software (required by law)
- Regulation compliance (permits)
- Adequate filling of legal documentation
- Labeling control system for equipment
- Proper reconciliation to save on duties
- Assistance to get certified by C-TPAT



The Shelter Program will help you by-pass all of these legalities so you can import and export your materials from your Mexican manufacturing plant.



*In the white boxes of this diagram you can find the description of functions that you will be in charge in your new operation in Mexico, to meet your customers' needs.
The blue boxes contain all the duties that a full Shelter Program cover.*

One of the many advantages of this program, is that you will start operations in Mexico being entirely focused on sales, customer service, and production. You will not have to worry, nor face, any legal or administrative risks/liabilities on your start-up stage.



- ✓ You will get a tailored evaluation and roadmap to start operations in the regions that there might be potential for your business to grow in Mexico (like Chihuahua or Queretaro).
- ✓ You will get a tailored cost model where you will be able to compare the total cost of production per hour in each region.
- ✓ At this point we will coordinate business agendas in the selected regions for your operations in Mexico with industrial associations and clusters.
- ✓ As part of the agenda, you will be able to visit the Shelter's real estate facilities where you will be able to operate.
- ✓ Additionally, you will get a presentation of the different enabling services that you will get as part of the Incubator and you will be able to meet with government officials.
- ✓ At this stage you will get all permits for your operations.
- ✓ You will get your human resources hired and organized (including payroll management).
- ✓ You will get your machinery and equipment installed.
- ✓ You will get all your customs & logistics set up.
- ✓ You will get all paperwork and administrative tasks done so that you can start serving your clients from your new location.

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 **Complimentary 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 and Logistics
- Administrative, legal, and other indirect costs

Request yours at start@americanindustriesgroup.com



About American Industries Group

American Industries Group is a private Mexican company founded in 1976 that has supported the successful establishment of manufacturing operations for over 200 companies in Mexico through Shelter Administrative Services and Industrial Real Estate.

Value Proposition “Why a Shelter?”



We team up with the arriving company becoming their day-to-day administrative solution provider -human resources, accounting, fiscal, customs, logistics- so that our client can focus on key variables such as quality, productivity and on-time delivery.

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



Aerospace

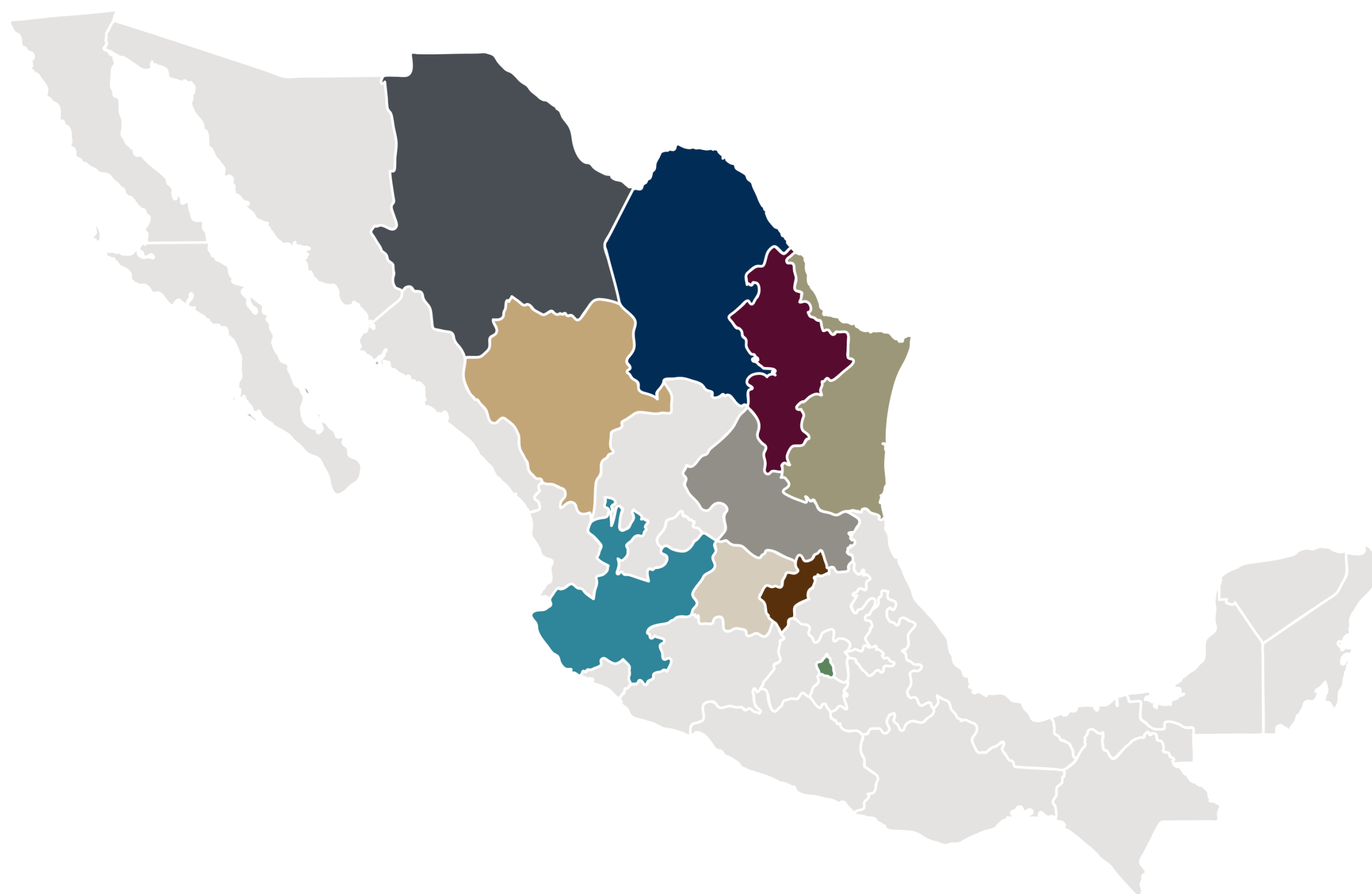


Automotive



Others





United States
• El Paso
• Laredo

Canada
• Toronto

Chihuahua
• Juarez
• Chihuahua
• Delicias
• Camargo

Nuevo Leon
• Monterrey

Tamaulipas
• Matamoros
• Reynosa

Jalisco
• Guadalajara

Queretaro
• Queretaro

San Luis Potosi
• San Luis Potosi

Guanajuato
• Silao

Mexico City
• Mexico City

Coahuila
• Saltillo
• Torreon

Durango
• Gomez Palacio

• Regional Offices, Shelter and/or Real Estate Customers

• Shelter and/or Real Estate Customers

Shelter and start-up services

- Over 14,000 headcount
- Over 30,000 trouble-free import and export transactions per year

Real Estate

- Over 13 million sq. ft. of developed and leased industrial space
- All our buildings are classified into Class A category
- 13 industrial parks

You can count on American Industries expertise to start and maintain a successful operation by avoiding unnecessary problems and costly mistakes, while maximizing savings as much as possible.



American Industries

Site Selection - Shelter Administrative Services - Industrial Real Estate

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