

# Why a Shelter? Why IVEMSA?

## 1. What are the options for starting operations in Mexico? Which one is the fastest alternative fulfilling all Mexican laws?

There are three main ways for a company to operate in a manufacturing location in Mexico: Contract manufacturing, Shelter (Outsourcing Management), and Stand Alone.

**Contract manufacturing** is preferable for operations that require limited man hours, experience cycle demand, and do not require direct control over production quality.

**Stand Alone** subsidiaries may be the best alternative for organizations with high control requirements.

The **Shelter or Outsourcing Management** is the option of choice for companies that are seeking to start operations rapidly in order to best leverage their own competencies by outsourcing non-core management functions to a trusted partner.

## 2. What kinds of companies are best suited for using a Shelter or Outsourcing Management Solutions?

- All kinds of companies can outsource management solutions.
- A **Shelter is flexible** and offers a **tailor-made solution**, so they can meet any specific needs.
- Our clients come from a big array of industries and sizes.
- From companies that provide jobs to 1,000 employees to mid-size manufacturers with little or no prior international experience and 20–30 employees. They could come from the medical, aerospace, construction, metal mechanic, plastics, electronic, automotive, IT, alternative energy and even design industries.

## 3. How long does it take to start an operation under a Shelter?

- An operation under a Shelter **can start immediately** because the Maquiladora-IMMEX permits and legal aspects are already set.
- It is like an **umbrella of opportunities**.
- The Shelter provides **crucial administrative services** like HR, Accounting, Customs and Traffic, and Mexican PR, that in turn gives you the freedom to dedicate your time to your operations.
- It's a **set package** ready for you.

## 4. How does a Shelter work?

IVEMSA provides the following services:

- **Human Resources:** we help our clients to develop the salary and benefits policy considering the market standards, as well as recruitment, selection & hiring processes, file employees' integration and document control, labor relations, personnel services, immigration permits, etc.

## Frequent Asked Questions

- **Accounting:** accounting services, Mexican entity compliance, general ledger, payroll, accounts payable, etc.
- **Traffic & Customs:** imports coordination with Mexican and American customs brokers, BOM packing list entry, monitoring of shipment through customs, update of IMMEX program (former Maquila) when needed, Mexican customs compliance.
- **Business Development and Mexican PR:** coordination with IVEMSA departments, interface between client and IVEMSA, building improvements coordination, customer service, initial local purchasing, as well as management relocation and culture support.

Our clients are responsible of **everything related to production and quality**. For instance, supply the machinery and equipment, raw material (direct and indirect), product specifications, engineering, technical support, etc.

All this process works on a **pass through cost open book policy** without a markup. Some of the typical expenses are salaries and benefits, facility lease, utilities such as water, electricity, natural gas, and telecom services, as well as Mexican purchases.

### 5. How does a Shelter bill to its clients?

The Shelter charges its customers for costs incurred in Mexico, such as payroll, utilities, facilities, customs fees, transportation costs, and Mexican purchases, in a pass through open book basis without mark up; and the Shelter charges a fee.

### 6. Why should I choose IVEMSA's Outsourcing Management Solutions if I have the experience of running a company in my country by myself? What are IVEMSA's key strengths?

Having an operation abroad implies the understanding of different rules, new laws and regulations (corporate, labor, environmental, legal, civil, trade and customs affairs, etc.), cultural differences, logistics, and even new political environments that may affect your company. Finding the correct and professional business partner that may support your offshore operations is crucial. IVEMSA understand all those issues and it is the most experience and reliable option.

In addition, IVEMSA's expertise contacts, relations and lobbying capacities (local, regional and national), consolidated through almost 30 years of experience in helping companies to soft-land their operations in Mexico, allow a smooth ride when settling your maquila operation.

- During almost 30 years of practice and more than 70 clients in our history, IVEMSA is the most experienced Shelter Company in the North part of Mexico.
- IVEMSA is a "pure" shelter, which means we have a wonderful relation and work together with any Industrial Developer and Industrial Parks in the area.
- We have extensive experience of Maquiladora management.
- Our clients receive personal attention by our staff.

## Frequent Asked Questions

- IVEMSA has a responsible, professional, ethic and honest team.
- We work with an Extended Team of experienced fiscal and legal advisors, US and Mexican custom brokers, environmental advisors, transportation companies, etc. in each location.
- IVEMSA is a Certified Company by the Minister of Finance and the Mexican Customs Administration. This entail expedites foreign trade process (import-export), substantial reduction in delivery time, less operating red lights resulting in lower operating costs, being ready for a just in time method, and being more competitive in foreign market.
- IVEMSA already has all the legal and customs permits in place to start new operations immediately.

### 7. What are the Solutions IVEMSA offers and what are the differences among them?

**Site selection:** a comparative study between regions, states or cities within Mexico to determine where is the best option for your project.

**Shelter:** Your Company works under IVEMSA'S name and working permits. IVEMSA provides crucial administrative services that in turn give you the freedom to focus your time entirely to your operations. The Shelter option would help you to reduce the learning curve, and minimized the liabilities and administrative risk. It's the fastest way to start operations in Mexico.

**Entity:** Your Company works under your own Mexican entity and IVEMSA outsource all the management service. Since the beginning IVEMSA assists you, first to incorporate your entity in Mexico, then to operate the management services for you, and comply with all tax, labor and corporate registrations, IMMEX program (Maquiladora program), and any other legal aspect your operation may required.

**BPO:** IVEMSA can offer individual outsourcing management services to your company whether it's located in Mexico or the U.S. This solution would help you to eliminate time consuming work load, reduce administrative costs and increase flexibility for your organization.

### 8. What are my responsibilities under any of IVEMSA's Solutions?

IVEMSA's clients perform engineering, design, materials management, manufacturing and quality functions while IVEMSA provides comprehensive outsourced manufacturing support and administrative management services that allows manufacturers to operate their own plants in Mexico at reduced expense and risk, as well as full focus on their core manufacturing processes.

# Why Mexico?

## 1. What are the advantages of manufacturing in Mexico vs. China?

For years China Government has provided lots of incentives and tax exemptions that were appealing to western companies. However, the gap with other low-cost countries has been reduced since such incentive programs have been cut, and logistic costs have increased dramatically. In addition, China has the comparative advantage of producing the mix of very small, big volumes, standardized items.

On the other hand, Mexico is an excellent place to establish manufacturing operations for projects where the following features are evident:

- High engineering content
- Intellectual property considerations
- Proximity to US production demands
- Similarities on business culture
- Quality requirements
- Flexibility capabilities
- Big and bulky products
- Big array of product lines on same location
- High levels of interaction with US regulatory agencies

## 2. What are the advantages of manufacturing in Mexico?

- Mexico has easy and fast communications between North America, South America, Europe and Asia, as well as more than 12 free trade agreements with 49 countries among these regions.
- Highly skilled and competitive labor costs.
- Low operational costs.
- Advanced infrastructure.
- Headquartered in Mexicali, Baja California, Mexico IVEMSA provides outsourcing management services in northern Mexico.

## 3. What are the advantages of operating in Baja California?

- Baja California is strategically located in the northwest part of Mexico, along the border of California, the sixth largest economy in the world.
- Its main industries are: Metal mechanics, Aerospace, Automotive, Electronics, Medical Devices, Plastics, Building Materials, IT, Tourism, Agro business, among others.
- Its embryonic industries are: Semiconductor, Biotechnology and Alternative Energies.
- Baja California has a young thriving population.
- Highest levels of education in Mexico.
- Competitive labor cost.
- Low level of union presence.
- Well developed industrial park system.
- Great access to California and west coast markets.
- Abundant utility infrastructure (Water, Natural Gas, Electricity).

## Frequent Asked Questions



- Pro-business Political Environment on both sides of the border.

### 4. What are the advantages of operating in Monterrey, Nuevo Leon?

- Monterrey, capital of the State of Nuevo Leon, is located in the northeastern part of Mexico
- There is a pool of a highly skilled work force
- Excellent educational institutions
- Excellent transportation infrastructure
- World-class supplier network
- Entrepreneurial, pro-business culture
- Leading business city in Latin America

### 5. What are the advantages of operating in Saltillo, Coahuila?

- Large automotive cluster
- There is a pool of well educated, highly skilled labor force
- Good support and service infrastructure
- Good transportation network to Monterrey and the border with the USA
- Milder weather than Monterrey since it is at 4,800 ft altitude
- Medium size community with good quality of living
- Good connectivity to USA through highways and airport (connection to Houston hub)
- More community willingness to attract companies than bigger cities nearby
- One of the best cities to live in Mexico.

### 6. What are the advantages of operating in Chihuahua, Chihuahua?

- Chihuahua, Chih. is a city in the north part of Mexico. The State of Chihuahua shares border with El Paso, Texas.
- Chihuahua and El Paso comprise one of the largest binational metropolitan areas in the world with a combined population of 2.5 million people.
- There is a pool of very experienced labor force.
- Strongly developed infrastructure.

### 7. What are the labor standards in Mexico?

- The Mexican **workweek is 48 hours** over **6 working days**.
- Workers are entitled to double pay for the first 9 hours of **overtime** and triple pay thereafter.
- **Sunday** work entitles workers to a 25% premium.
- There is a **minimum wage** state on the Mexican Labor Law, but it is just a reference. Nobody pays the minimal wage, what rules in terms of salary and benefit is the market.
- The Mexican Labor Law entail employers to provide the following **fringe benefits** to their employees on employee's base income:
  - Social Security
  - Pension or Retirement Savings Fund
  - Housing Fund

## Frequent Asked Questions



- Christmas bonus
- Vacation bonus
- Based on the location and the labor market **other benefits** must be considered in order to have a smooth operation, good labor environment and lower turnover.
- **Holidays:** under Mexican Labor Law, employees are entitled to 7 annual paid holidays, plus one for presidential inauguration day every 6<sup>th</sup> year.
- **Vacation:** After one year of employment, employees are also entitled to at least six days paid vacation, increased by two days for each of three subsequent years of employment and by two more days for each additional five years.

### 8. What is available in terms of Industrial Parks and facilities in Mexico?

In the north part of Mexico many industrial parks have developed and are home to many foreign multinational firms operating with these. Industrial parks offer developed land, inventory buildings and services to support the operations of the Maquiladoras in Mexico.

Buildings within the industrial park can be built to suit and inventory. Industrial developers offer the necessary improvements to adapt the buildings to manufacturing. Spaces can range from 200,000 sqft to under 5,000 sqft for a startup.

Additional benefits for new comers in some industrial parks are: day care centers, commercial areas, control access, labor pool data bank, salary surveys, and others. Industrial developers additionally guaranty that there will be sufficient utility services for future growth. This is important due to the fact that 80% of established factories grow in the first two years of operations.