



MEXICAN SHELTERS, A CUSTOMER'S PERSPECTIVE

By Doreen Huro Michelini

To most, Shelters are structures that protect you from the elements. But for those companies who have found the need to move operations to Mexico, the word **SHELTER** takes on a whole new meaning.

Imagine your largest customer announcing that in order to continue supplying them with parts, you must move part of your operations to Mexico to be close to their facility. For the small to medium sized company this can be a huge undertaking demanding many man-hours, resources and capital they may not have. With the aid of a Shelter Company, these companies can now quickly find themselves in Mexico with lower startup and operation costs.

As someone who formally managed a facility using a Shelter and currently promotes this concept to my clients, I am a firm proponent of using this way to establish companies in Mexico. Shelters allow the manufactures to do what they do best – produce their product without having the liability and cost of a large support staff.

Lets examine the functions of a Shelter and the services it provide:

Facility – Finding the right facility that fits your needs is the first step. Shelter Companies have buildings and properties in place and can lease space from a few thousand square feet to the entire facility. If you prefer to build your own, Shelters can assist you from site selection to managing the construction. Whether new or existing, they can help in renovating the building to meet your needs. From electrical upgrades to adding bathroom facilities, the Shelter staff is there to provide competitive bids and supervise the work.

Legal Presence – All companies operating in Mexico are required to have Mexican legal representation. Shelters have attorneys on staff not only to advise their clients, but also to lobby on their behalf for more favorable laws and tax structures.

Human Resources – Based on the job descriptions you

provide, the Shelter Human Resource Department assesses your needs and develops a plan to recruit your work force. They are also responsible for the record keeping and reporting of employee benefits and taxes to the Mexican Government.

Purchasing – Although you are responsible to provide the materials needed for production, the Shelters Purchasing staff provides competitive bids and procures the non-production supplies (MRO) needed to keep you facility running smoothly.

Accounting – From employee wages to supply invoices to utility bills, the Shelters Accounting Department staff provides the service of tracking and paying these expenses on your behalf. Back-up information including signed requisitions and copies of the invoices are provided with your weekly billing validating these charges.

Environmental Control – One of the responsibilities of the Shelter is to assess your manufacturing processes in order to apply for the necessary permits and licenses needed to run your facility. Besides acting as your representative during government audits, the Environmental staff stays up-to-date on any changes in regulations that can effect your operations.

Customs/Logistics – Of all the services provided, this is one of the most important. Due to NAFTA, the movement of material between the US and Mexican border requires exact paperwork. The Shelter provides a customs expert who is experienced and knowledgeable in the correct way paperwork needs to be prepared to avoid any delays at the border. Their logistics expert is there to determine the efficient and most economical ways to move materials both in and out of Mexico.

Executive Assistance – From picking you up at the airport to finding you living arrangements to introducing you to the business community, this staff member is there to guarantee a smooth transition into Mexico.

The services of these Shelter staff members are provided to you as part of the Shelter fee that is included in your weekly billings.

How to Get Started

Finding a Shelter Company – There are many fine Shelter Companies throughout Mexico. Many of them have facilities located in most of the major cities and can assist you in finding the location that best fits the scope of your project. I would suggest talking to at least two providers to compare and determine which company is the most compatible to suit your needs.

Negotiating – Shelters are very flexible. It is important to be forthright and exact with your needs and wishes. I always suggest that my client's look out at least three years when determining the amount of square feet they need now and in the future. Most Shelters provide shared facilities that can be expanded as you grow if planned up front. Fees and services are also negotiable as well as how they are paid. Shelter fees can be a fixed cost based on the number of employees or variable determined on your weekly invoices. You will find that Shelter operators are adaptable to what makes the most sense to your individual situation. The key is to work closely, be fair and to get the details written in the formal agreement. I also suggest including annual reviews to assure the arrangements made today fit your needs of tomorrow.

Building a Relationship – Think of the Shelter as an important member of your team. Developing an open working relationship ensures good communications and a smooth running facility. The Shelter is there to assure your success, but it's a two way street. It's your responsibility to provide good information to enable the Shelter Company to provide the services you need and most importantly to comply with Mexican law.

Understanding the Costs – Most costs are fixed – wages, benefits, taxes, rent and Shelter fees. Based on the information you provide, a cost analysis can be prepared that will show your fully loaded hourly cost to run the facility. This figure is based on estimated utility costs and minimal operating supplies. Its very important to control the spending of MRO supplies which can greatly affect your weekly invoice charges. Tight controls upfront can avoid unexpected surprises when reviewing your operating expenses.

Areas to Watch

It's important to have someone responsible for the day to day running of the facility. This person needs to review the spending, approve the requisitions and make the daily decisions. Failure to "pay attention" can result in increased spending and decreased margins.

Make sure you understand all of the costs that you will be assessed including industrial park fees, employee transportation, payroll supplies, benefits, bonuses, etc. Although these are figured into your cost analysis, it is important to know upfront what you are required to provide your employees. Although Shelter fees generally stay firm throughout the agreement, be aware of mandated employee raises, increases in tax and benefits and the annual raise in utilities to avoid any unexpected surprises down the road.

Shelters are the answer to those companies needing to establish themselves in Mexico. It can be accomplished in a relevantly short amount of time with a substantially less investment. It is important to find the right Shelter Company to fit your requirements and then to work closely with them to be successful in Mexico. Understanding what a Shelter can provide and taking the appropriate steps to fully investigate your needs will guarantee a profitable operation. Most shelter suppliers may be found at www.maquilaportal.com **MN**

Doreen Huro Michelini, C.P.M. is currently president of China Mexico Solutions LLC consulting with companies wanting to relocate or source in Mexico or China and Business Development Manager with Industrial Molds Group which produces plastic injection and die cast molds in the US, Mexico, China and Sweden. She is past president and current treasurer of NAPM-Chicago and currently chairs the board of the economic publication "The Chicago Report". Doreen holds a Bachelors degree in Marketing and travels around the world as guest speaker and seminar presenter on international business topics.

She may be contacted at:
dhuro@mexico-now.com

CONGRATULATING CONTEC/CPA
FOR THE 100,000 S.F. BUILT TO
SUIT FACILITY IN
CD. JUAREZ, CHIH.

¡FELICIDADES!



SIMONS Y ASOCIADOS

INDUSTRIAL - COMMERCIAL REAL ESTATE

"LOCAL EXPERTISE,
SUPERIOR SERVICE"