

Industrial Strength

MEXICO ADVANTAGE

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A national network of certified industrial parks gives facility investors strategic location options for serving markets domestic and foreign.



by MARK AREND

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Add the importance of the Mexican market itself to companies' lists of reasons to open operations in Mexico. Lower cost labor and easy access to the huge U.S. market remain important location incentives. But Mexico is a major market in its own right, one with a growing market for products made for sale domestically. Like floor tile.

In spring 2012, Dallas-based **Dal-Tile** began production at a new manufacturing site in Salamanca, Mexico, northwest of Mexico City, reflecting the company's expansion in the Mexican market. Dal-Tile makes ceramic, porcelain, glass, metal and natural stone tile products. The Salamanca start-up was slated to produce approximately 30 million square feet of tile last year, which was to triple to 90 million square feet in 2013. The capacity is dedicated to producing high-quality, commodity floor tile primarily for the Mexican market to take advantage of market growth in Mexico for this segment.



Parque Tecnológico Innovación in El Marques, Querétaro

Photo courtesy of AMPIP

"As we grow our Mexico tile business, we needed a new plant site that was convenient to the major markets including Mexico City and Guadalajara," says David Baran, vice president, operations, at Dal-Tile Corp. "Salamanca is strategic in that it is close to the raw materials and the market," he explains. "Three other sites were evaluated, and the competition was very close. But the quality of the work force in Salamanca and Guanajuato, the business-friendly leadership in the state and community, and the total overall cost were best for this project."



David Baran, vice president, operations, Dal-Tile Corp.

Perhaps employees at the new Guanajuato facility will be as content as they are at Dal-Tile's other Mexican facility, in Monterrey. In June 2012, Mexican business magazine *Expansión* recognized that operation as a Top Company 2012 "Place Where Everyone Wants to Work" in the category of companies with more than 3,000 employees.



BMW Toluca Vesta Park (Estado de México)
Photo courtesy of AMPIP

"At Dal-Tile, we take the well-being of our employees very seriously, whether they are in our Mexico facility, or in any of our facilities in the United States," said John Turner, president of Dal-Tile Corp. "We are very proud to be recognized by *Expansión* as a Top Company, and we thank our employees for their hard work and dedication to producing the best products the industry has to offer." The Top Companies edition aims to understand and present the reality of the Mexican business environment in terms of organizational culture and human capital growth. There is a strong likelihood the Salamanca plant will be similarly recognized in due course.

"A very strong culture has evolved in our Monterrey operation in over 50 years of operation," says Baran. "Some of the leadership of the Salamanca plant relocated from Monterrey, and are instilling the same culture in the new plant. The work force is excellent, and Salamanca was our best plant startup ever, which is a reflection of the quality of the team."

Location for Labor and Logistics

GETRAG Transmission Manufacturing de México S.A. de C.V. employs 600 at its Guanajuato facility in Irapuato, where it produces 700,000 dual-clutch transmissions annually for such Ford models as the Fiesta, Focus and ECO Sport. GETRAG's location, in the Parque Tecnoindustrial Castro del Río, meets a range of requirements, chiefly those related to logistics and labor.



César Garibay, plant director, GETRAG Transmission Manufacturing de México S.A. de C.V.

"We were evaluating factors such as site conditions, logistics, infrastructure, security and safety, labor costs and incentives," says César Garibay, plant director. "Also, the turnover and absenteeism rates are very favorable. We considered the area be quite stable as a union [location]."

Garibay says the State of Guanajuato's business assistance resources have been "extraordinarily good — they really acted as an overall consultant in terms of support. And the excellent geographical location of GETRAG Irapuato has allowed us to maximize logistics costs with the nearby ports of Manzanillo and Veracruz and an internal customs office in the state." GETRAG ships transmissions from Irapuato to Ford plants worldwide, including locations in Asia, North America, Argentina and elsewhere in Mexico.

For companies like Dal-Tile seeking to serve the Mexican market, Parque Tecnoindustrial Castro del Río provides direct access to 80 percent of Mexican GDP. And Castro del Río is one of two industrial parks in the state certificated in the most current Mexican Norm of Industrial Parks, a designation it has earned with 37 other Mexican industrial parks; 11 more are in the certification process.



GETRAG Transmission Manufacturing employs 600 at this facility at Parque Tecnoindustrial Castro del Río in Irapuato, Guanajuato.

Photo courtesy of GETRAG

"This certification encompasses a number of factors, including establishing the legal ownership of the land; the quality of the infrastructure, both basic and the most up-to-date telecommunications; ensuring a capacity for sustainable growth that includes a water recycling component and efficiency in the use of energy," says Jaime Roberts, president of the Mexican Association of Industrial Parks (AMPIP). "We can be very good at promoting investment, but if, when it comes, investors cannot find the right industrial space to set up a plant, they are not going to stay. It is a competitive differentiator for the investment to stay in Mexico."

An Aerospace Cluster Takes Off

Mexicali Industrial Park, a PIMSA Group property near the California border, is a founding member of the Aerospace Cluster of Mexicali, which counts about two dozen aerospace companies, six academic institutions and universities, several government entities and others as members. The current president of the Aerospace Cluster is Ardy Najafian, plant manager at **GKN Aerospace**, which in September 2012 established a new composites manufacturing facility at the PIMSA I park in Mexicali. The new, 80,000-sq.-ft. (7,400-sq.-m.) composite manufacturing facility is expected to employ over 100 by 2017 and will manufacture composite airframe structures.



GKN Aerospace established a new composites manufacturing facility in Sept. 2012 at the PIMSA I park in Mexicali.
Photo courtesy of GKN Aerospace

The site's first products are structures manufactured for the Sikorsky BLACK HAWK helicopter. Commencing with the Sikorsky BLACK HAWK work package, further production work will be

transferred to the new site over time, with almost all staff recruited locally and trained in the range of manufacturing skills required to produce structures for both fixed and rotary-wing aircraft.

"Mexico is a **strategically important** country for us."

— Steve Estill, vice president of strategic partnerships for Sikorsky

The new Mexicali composite manufacturing facility will provide direct manufacturing support to the company's Alabama operation which has multiplied its annual sales by 500 percent over the last decade and is continuing to see additional growth. The Alabama site provides aerostructures for customers such as Sikorsky, GE, HondaJet and Airbus.

Marcus Bryson, CEO and president, GKN Aerospace and GKN Land Systems, explains: "The new composites operation will extend our very successful Mexico production activities and will play a key role in supporting Sikorsky and other major customers in the long term. The skills we will develop in our new Mexicali team will grow the valuable expertise we have in the country and help us extend our aerostructures business by manufacturing consistently high-quality components at a very competitive cost to our customers."

"Mexico is a strategically important country for us," said Steve Estill, vice president of strategic partnerships for Sikorsky at the project announcement in July 2012. "This move by GKN Aerospace to place BLACK HAWK helicopter component work in-country coincides with our plans to increase our presence and work content in Mexico."

PIMSA Group, with five industrial parks, is the oldest full-service industrial developer in Mexicali, Baja California. PIMSA's General Director Francisco J. Fiorentini noted: "We welcome GKN Composite Structures to Mexicali as the fifth aerospace company in the PIMSA group. We're very pleased to contribute to the continuing development of the aerospace sector in Baja California with more than 50 companies in the state and comprising some 25 percent of the total aerospace companies in Mexico."

Tijuana Teamwork

Mexico City-based Vesta Real Estate has developed an aerospace park in Querétaro, another important Mexican aerospace cluster. But its Vesta's Parque Industrial Presidentes in Tijuana, Baja California, where **Sigmatron International**, a contract manufacturer of electronic components for semiconductor equipment, has an assembly and testing facility.

"We selected this location over the one we had before, since our previous site in Tijuana consisted of two buildings that were not connected," says Raj Upadhyaya, executive vice president in charge of the Tijuana operation and one in Union City, Calif. "The logistics operation was inefficient and broken in every direction."

The goal was not to pick a new city in which to locate, but to make the experience of being in the city it was in more effective. Vesta's regional director in Tijuana, Elias Laniado, made sure that was the case by helping make the transition to a one-roof operation as quick and non-disruptive as possible.



Nuevo Laredo Industrial Park (Tamaulipas)

Photo courtesy of AMPIP

"Our target was to finish the tenant improvements on the building based on the size of the project within 30 days," says Upadhyaya. "We then proceeded to close one facility and at the same time open the new one. Working with Vesta, the subcontractor and the Sigmatron staff, we met twice a week to monitor each step as well as every supplier's performance and the delivery due dates. By doing so, we were able to meet our target, moving from the old building to the new one within a month.

"This project is one of the best examples where a building property owner, a corporation and the tenant work together in a friendly manner with a common

objective to accomplish the best result possible."

— Raj Upadhyaya, EVP, Sigmatron International

"This project is one of the best examples where a building property owner, a corporation and the tenant work together in a friendly manner with a common objective to accomplish the best result possible. Elias' contribution as a liaison with the municipal authorities helped accomplish what we targeted in a timely manner."



Spellman de México is a tenant in the FINSA Oriente park in Matamoros.

Photo by Jorge Taboada

Teamwork also characterizes a tenant's experience in an industrial park at the other end of the U.S. border, in Matamoros. **Spellman de México**, a manufacturer of high-voltage electronics, is a tenant in the FINSA Oriente park, one of two in the city by the Garza Garcia, N.L.-based developer. Its second manufacturing facility in Matamoros supports increased global demand for Spellman's high-frequency, high-voltage, DC power supplies, X-Ray generators, and Monoblock® X-Ray sources. The advanced 75,000-sq.-ft. (6,970-sq.-m.) subassembly facility (Plant 2), supports the main top assembly facility (Plant 3) and supplies key subassemblies to Spellman manufacturing and repair facilities in New York, Japan, China, Germany, and the UK. Plant 2 is staffed by approximately 500 assemblers, technicians and engineers and has dedicated manufacturing areas to PCB assembly, transformers, metal stamping, metal machining, metal painting, plating and welding.

Spellman's Plant 3 is a 126,000-sq.-ft. (11,700-sq.-m.) state-of-the-art production facility that will expand to 162,000 sq. ft. (15,050 sq. m.) over five separate phases. The last phase was tentatively planned to start construction in March-April 2013.

Winner of the Tamaulipas State Quality Award 2010, Spellman de México S.A. de C.V. is staffed by 900 highly trained assemblers and technicians, and supervised by a dedicated manufacturing engineering staff fluent in English and Spanish. This site produces both finished products and critical sub-assemblies used at other Global Spellman facilities (New York and the UK).



Puebla Industrial Park (Puebla)
Photo courtesy of AMPIP

According to the company, Plant 3 integrates Lean Manufacturing principles and Six Sigma techniques and is specialized in manufacturing, test, service, and recently in sales to customers in Mexico and other Latin American Markets. Spellman de México has full capability of all aspects of high voltage assembly, including high voltage transformers, printed circuit boards, cables and harnesses, and other high-voltage assemblies. This operation utilizes the same automated and proprietary encapsulation and test technologies that are used in Spellman's corporate production center located in Hauppauge, N.Y.

"Mexico Operations was created and Matamoros chosen because of proximity to the U.S., lower labor costs and direct logistics costs to and from New York," says Kenneth Chandler III, general manager of the Matamoros operation. "We chose the FINSA Oriente park due to its lower facility costs, teamwork when reviewing cost options and lease hold improvements." Additional advantages of the site include lower energy costs, proximity of the park to border crossings and labor availability. "Also, the park [qualifies for] Industria Limpia environmental certifications, which help our ISO initiatives," adds Chandler.

In nearby Reynosa, the most populous city in Tamaulipas, 90,000 people are employed under the national Maquiladora Program, which allows maquiladoras — factories in Mexico operating under preferential tariff arrangements — to be 100-percent foreign owned. Seventy of Reynosa's approximately 200

manufacturing plants are located in Grupo Río San Juan industrial parks — Villa Florida (660 acres/267 ha.) and Del Norte (783 acres/317 ha.).

Villa Florida is home to facilities owned by, among others, Emerson, Nokia, ThermoFisher Scientific, Black & Decker and, for the past 12 years, BSNmedical, which makes fracture management products, such as resin splints, bandages and compression therapy socks. The company employs more than 550 at a site that Joseph Olmeda, vice president of manufacturing and general manager, terms "strategically located to support our biggest market — the U.S. East Coast — with the advantage of U.S. and Mexican ports for overseas customers and labor costs that are globally competitive."

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