AUTOMOTIVE SITE SELECTION
DOS & DON’TS IN MEXICO
Mexico’s Automotive Conference. May 6, 2015.
FIELD OF DREAMS
IF YOU BUILT IT, THEY WILL COME
THE IMPORTANCE OF SITE LOCATION

WHY IS IMPORTANT:

• Site / facility location decisions are part of the company’s strategy.
• Requires large investment that cannot be recovered.
• Location decisions affect the competitive capacity of the company.
• For a service business, market proximity is critical to determine the capacity to attract customers.
• For a manufacturing business, facility location affects product delivery time and level of customer service, which affects sales & profitability.

SITE LOCATION ALTERNATIVES:

New Facility
• Start a new facility in a new location.
• Facility relocation (moving operations from one site to a new one).

Expansion of current operations
• Expansion in reserve land or next door bldg. (lower cost)

Consolidation
### SITE SELECTION KEY FACTORS

#### KEY FACTORS RANKING

<table>
<thead>
<tr>
<th>Rank</th>
<th>Factor</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Highway accessibility</td>
<td>11.</td>
<td>State &amp; local incentives</td>
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<tr>
<td>2.</td>
<td>Occupancy or construction costs</td>
<td>12.</td>
<td>Expedite or “fast-track” permitting</td>
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<td>3.</td>
<td>Available land</td>
<td>13.</td>
<td>Low union profile</td>
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<td>5.</td>
<td>Availability of skilled labor</td>
<td>15.</td>
<td>Availability of long term financing</td>
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<td>7.</td>
<td>Proximity to major markets</td>
<td>17.</td>
<td>Accessibility to major airports</td>
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<td>8.</td>
<td>Energy availability &amp; costs</td>
<td>18.</td>
<td>Proximity to college/technical training</td>
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<td>9.</td>
<td>Corporate tax rate</td>
<td>19.</td>
<td>Proximity to suppliers</td>
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<td>10.</td>
<td>Tax exemptions</td>
<td>20.</td>
<td>Raw materials availability</td>
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<td>Category</td>
<td>Question</td>
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<tr>
<td>Business Needs Assessment</td>
<td>“Which are your stress points?”</td>
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<td>Business Climate Profiles</td>
<td>“How do locations compare?”</td>
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<td>Real Estate Implementation</td>
<td>“Which is our best real estate solution?”</td>
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<td>Location Screening</td>
<td>“Where are our best location options?”</td>
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<td>Incentives Procurement</td>
<td>“Can we improve our bottom line?”</td>
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SITE SELECTION CHECKLIST

✓ Establish a project team
✓ Define project needs and scope
✓ Select the candidate Cities
✓ Tour the finalist cities and meet with Developers
✓ Review potential sites of the final candidate cities
✓ When the city is defined, send RFP to the developers and/or land owners
✓ Put together a Developers proposals decision matrix
✓ Review & evaluate proposals
✓ Prepare package for top management review & approval
✓ Generate a Site Selection Matrix
✓ Select the site and developer.
✓ Lease vs. Own analysis
✓ Prepare, negotiate & finalize lease/purchase agreement
AUTOMOTIVE SITE SELECTION KEY FACTORS

WORKFORCE
• For most manufacturing companies, work force is typically the number-one consideration for automotive suppliers.

SITE LOCATION & LOGISTICS
• Just-in-time and sequencing
• Proximity to assembly plants
• Site location, access and proximity to main highways

SITE & INFRASTRUCTURE
• Industrial Bldgs. specifications requirements
• Availability of utilities (power, natural gas, sewer, water, telecommunications, etc)
• Constructability, environmental and geotechnical conditions
• Rail spur served
More than 24,000 jobs created and almost US$180,000,000 of total investment.

**Suppliers Park:**
- **Year Founded:** 1993
- **Extension:** 70 Has
- **Construction:** 22 Has
- **Companies:** 26
- **Sector:** Automotive

**Investment, US Dollars:**
- **Infrastructure:** $82,652,000
- **Equipment:** $230,000,000
- **Total:** $312,652,000

**Jobs Created:**
- **Direct:** 8,480
- **Indirect:** 17,500
- **Total:** 25,980

Source: Finsa
AUTOMOTIVE SUPPLIER PARKS IN MEXICO

DYNATECH SOUTH I HERMOSILLO

- Dynatech Sur:
  1,000 hectares /120 hectares developed.

- Infrastructure & Services:
  Electrical Substation 30 MVA
  Intermodal Terminal / Rail Spur.
  Services:
  Water, electricity, sewage, gas, telephone service & fiber optics.
AUTOMOTIVE SUPPLIER PARKS IN MEXICO

CHRYSLER SUPPLIERS PARK I TOLUCA, STATE OF MEXICO

JUST IN SEQUENCE PROGRAMS FOR CHRYSLER’s SUPPLIERS TOLUCA PLANT

- Chrysler Suppliers Industrial Park located at a prime location, only 5 minutes from the Chrysler Plant.
- Multitenant & Stand Alone Buildings
- Land: 27 Acres. – 4 separate lots
- Buildings Area: 520,000 sq.ft.
- 5 strategic suppliers:
  - HBPO: Front end module systems
  - Android: Tire Wheel Module
  - Brose: Door Module
  - Gestamp: Body Module
  - TRW: Suspension Module
AUTOMOTIVE SUPPLIER PARKS IN MEXICO
AUTOMOTIVE SUPPLIER PARKS IN MEXICO

Douki Seisan Park Aguascalientes
Nissan – Vesta

Finsa Puebla II
SITE SELECTION
Do’s & Don’ts

“Ready aim fire”

“Ready fire aim”
SITE SELECTION
TEAM Do’s & Don’ts

“Put together a multidisciplinary team”

“One single person in charge of the project”
SITE SELECTION

PROJECT SPECS Do’s & Don’ts

“Define priorities, specifications and scope of work at the beginning of the project”

“Multiple changes to scope of work and specifications throughout the Project”

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<thead>
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<th>No.</th>
<th>Activity</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
<th>Month 7</th>
<th>Month 8</th>
<th>Month 9</th>
<th>Month 10</th>
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<td>Kick-off call, market overview, timelines</td>
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<td>Current site visit &amp; meeting with local client to confirm needs &amp; Desires</td>
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<td>Identification of potential relocation options (for negotiation leveraging)</td>
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<td>5</td>
<td>Request current landlord to provide initial offer</td>
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<td>RFP for alternate landlords (see below)</td>
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<td>Proposals received for current landlord and alternate landlords</td>
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<td>Proposals review and response to current landlord</td>
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<td>Alignment with client on Negotiations strategy confirming</td>
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<td>Detailed negotiations with current landlord and selected options for relocation landlords</td>
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<td>Agreement of Final Terms with Current Landlord</td>
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<td>12</td>
<td>Client Approval of Final Terms and any Fund Approvals</td>
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<td>13</td>
<td>Landlord or Client Preparation of Draft Lease Renewal Document</td>
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<td>Final Negotiation of Lease</td>
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<td>15</td>
<td>Final Lease Signature &amp; Renewed Lease Commences</td>
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SITE SELECTION
LONG LIST Do’s & Don’ts

“Long list, NO more than 10 to 12 options ”

“Long list more than 20 alternatives”
SITE SELECTION

SHORT LIST Do’s & Don’ts

“Short list, 3 options”
(best options selection)

1

“Only one alternative”

2

3
SITE SELECTION
INCENTIVES Do’s & Don’ts

“Allow 18 months incentives negotiation”

“Expect incentives package in 3-6 months”
REPRESENTATIVE CLIENTS
AUTO & AEROSPACE

Honeywell  Cummins  Chrysler

Faurecia  ThyssenKrupp  3M

Henkel  MAHLE  Schaeffler

FAG  LUK  INA

UTC Aerospace Systems  Martinrea

among others .....
AUTOMOTIVE INDUSTRY HIGHLIGHTS 2015

**Diagram:**
- **AUTO ASSEMBLY**
  - Plants in Mexico
- **HEAVY TRUCKS ASSEMBLY**
  - Plants in Mexico

**Table:**

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>LOCATION</th>
<th>Featuring</th>
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<tbody>
<tr>
<td>CHRYSLER</td>
<td>Baja California</td>
<td>Ram Trucks, Pressers, Engines &amp; stamping</td>
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<tr>
<td>CHRYSLER</td>
<td>Guanajuato</td>
<td>Journey &amp; Fiat 500</td>
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<tr>
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<td>Coahuila</td>
<td>Journey &amp; Fiat 500</td>
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<td>Nuevo Leon</td>
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<td>Journey &amp; Fiat 500</td>
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**UNDER DEVELOPMENT**
- Aguascalientes, Guanajuato: Infiniti Q30, Mercedes Benz
- Monterrey (Nuevotecn), Nuevo Leon: Kia Forte
- San Luis Potosi, San Luis Potosi: BMW Serie 3
- Apasco El Grande - Celaya, Guanajuato: Corolla

Source: Mexican Association of the Automotive Industry (AMAI).
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• Investment Services
• Market Research

Accelerating Success
Q & A

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