



TIJUANA  
EDC

# SHELTER PROGRAM

Get your Tijuana operation up and  
running in less than three months

# ***INTRODUCTION***

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Over the past several decades, Mexico has emerged as one of the leading manufacturing locations, offering multiple benefits for the U.S. and other foreign companies to gain a competitive edge.

**Efficiency** and **cost-effectiveness** are two of the key reasons why many companies have begun nearshoring to Mexico.



Several global sectors, including **automotive, aerospace, medical device manufacturing, and electronics**, have been successfully operating manufacturing sites in Mexico as part of their cost-effective manufacturing strategy for several decades. Still, thanks to nearshoring, Mexico will continue to be a relevant manufacturing powerhouse in the years to come.

Due to the considerable **manufacturing advantages in Mexico**, more companies are exploring ways to expand their operations south of the border. The best way to get a new facility up and running smoothly and efficiently is with the help of a **shelter service provider**.

Partnering with an experienced shelter provider means manufacturers receive all the advantages of manufacturing in Mexico with minimized risk and exposure. But . . .

## *HOW EXACTLY DOES THE PROCESS WORK, AND WHAT SHOULD BE EXPECTED?*

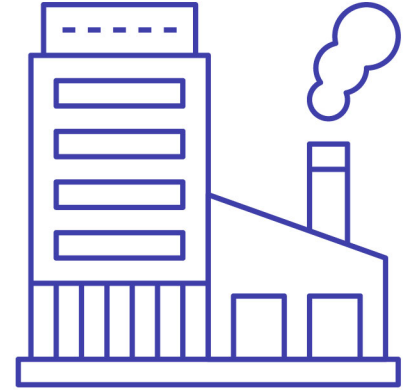
This guide will take you through manufacturers' main questions when deciding whether to expand a portion of manufacturing to Mexico.



It'll cover the following:

- 1.- How the shelter model works.
- 2.- Local expertise inside the shelter.
- 3.- Costs reductions under shelter.
- 4.- Start time reduction and departments covered under the shelter.

# 1. HOW THE SHELTER MODEL WORKS



When working with a shelter partner, a manufacturing company operates under the shelter's existing **IMMEX/MAQUILADORA** program, which is the fastest, safest way to start operations.

Although other manufacturers work under the shelter company legal entity or corporation umbrella for lawful purposes, each manufacturer will have its own independent operation with an individual facility lease agreement, labor contracts, and operational guidelines.

*Operating under a Mexico shelter company is the safest way to establish a new manufacturing operation. Foreign companies can work under the umbrella of the shelter without having to create or incorporate a Mexican legal entity.*

*This is one of the reasons this model is so attractive: it helps manufacturers reduce time, costs, and legal exposure.*

## 2. LOCAL EXPERTISE INSIDE THE SHELTER

Operating in a foreign country requires ample time to navigate special import/export compliance measures, labor laws, and other regulatory policies necessary to start production. Having a local expert reduces this learning curve and better prepares foreign companies to start manufacturing in Mexico quicker, more efficiently, and within compliance.



Partnering with a Mexico shelter company is viable because it provides access to attorneys, fiscal advisors, customs brokers, transportation partners, validated contractors, industrial real estate experts, and administrative personnel as part of one collective, cost-competitive solution.

## 3. COSTS REDUCTIONS UNDER SHELTER

The savings of monthly administrative management provided by the shelter and software costs of working under a shelter partner can range from **25% to 30% savings per month** compared to working outside a shelter. In addition, shelter services allow businesses to **save on infrastructure and value-added tax**, or VAT.



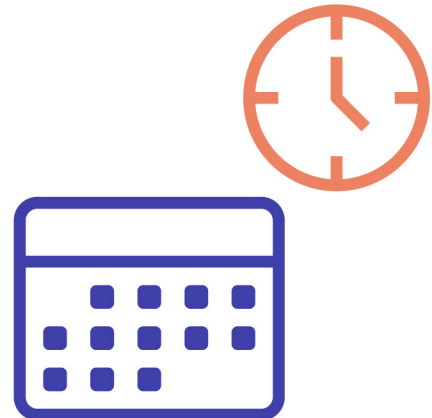
The IMMEX maquiladora program **exempts foreign manufacturers from the 16% VAT tax** on qualified temporarily imported goods, materials, and equipment. Thanks to this benefit, foreign firms that operate under a shelter have **immediate access to the IMMEX maquiladora program and VAT certification** without going through the approval process; this means huge savings on VAT payments at customs during the initial phase of any new operation.

Shelters can assist you in most cases with a Mexico operation cost forecast so you can estimate your fully burdened cost. This critical information is helpful for companies to review their business cases and decide if Mexico is the right fit for them.

*Shelters partners will understand and be sensitive to your company's ROI during all the stages of your operation.*

## **4. START TIME REDUCTION AND DEPARTMENTS COVERED UNDER THE SHELTER**

One of the most significant advantages of working with a Mexico shelter company is **quick and efficient start-up time**. With a shelter partner, the time to get an operation up and running is **typically three months after a lease agreement is signed**, vs operating **without a shelter takes closer to six to seven months** to be ready.





This is a huge benefit, especially during the startup phase when a company is under pressure to complete a soft land transition under schedule.

The shelter company is responsible for leasing the facility\*\*, hiring, paying taxes, paying employees, doing import & export activities, and getting all the permits and licenses needed. At the same time, the client will focus just on everything related to manufacturing and operations.

*Working with a shelter company provides a unique opportunity for foreign manufacturers.*

*\*\* Shelter company leases the facility, but the client will be the guarantor.*

**This allows shelter clients to focus on their core business and activities that bring value to their organization.**

A shelter partner will help to avoid delays and headaches while doing business in Mexico. In recent years, Mexico’s Federal Government has centralized most of the required permits and licenses to set up a new operation, so you will minimize this learning curve when you partner with a shelter.

**YOU WILL BE ABLE TO SET UP YOUR PROJECT ON TIME WITH NO DELAYS**

<i>Shelter companies typically cover seven functional areas:</i>	
Human resources and payroll	Cross-border Freight coordination
Recruiting and hiring	Local accounts payable
Legal counseling	Accounting and taxes
Import and export customs compliance	Cross dock and maneuvers on the US side



For more information feel free to  
contact any of the Tijuana EDC  
shelter partners...

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