*From American Shipper Magazine*

## Companies Keen on Relocating to Mexico

By: Chris Dupin

July 2011

Manufacturers are showing growing interest in relocating production in Mexico from Asia or opening new factories or sourcing there, said a new survey from consulting firm AlixPartners.

The survey of 80 mostly large companies found 9 percent of companies have already relocated production from Asia back to the Americas, so-called "near-shoring." Another 33 percent are thinking of near-shoring in the next three years.

The survey found 63 percent of respondents believe Mexico is the most attractive location for near-shoring operations, followed by 19 percent who believe the United States is most attractive.

Thirty percent of the survey respondents ranked lower freight cost as the most attractive aspect of near-shoring, while 25 percent said it was speed-to-market. Eighteen percent said lower inventory cost was paramount, 16 percent cited time-zone advantages such as easier management coordination, and 11 percent referenced improved cultural alignment with North American managers.

An earlier survey by AlixPartners found U.S. landed cost for a product with moderate labor and shipping cost–say a machined part of moderate complexity–was lower in Mexico than other countries -- 68 percent of the cost of making it in the United States compared to 74 percent of the U.S. cost in China or 71 percent of the U.S. cost in India.

While 37 percent of the companies said they have already relocated production or are sourcing overseas, many others are still planning to off-shore: 15 percent in the next year, 12 percent in two to three years, 7 percent in four to five years, and 2 percent beyond five years.

Again, AlixPartners found Mexico the leading destination for companies looking to relocate existing U.S. production. Forty-three percent of those surveyed said if off-shoring operations were an option, Mexico was their first option, followed by 30 percent who said China was their first choice, and 14 percent who said India was most attractive. AlixPartners noted these were all manufacturing companies and that other countries might be seen as more attractive for companies looking to set up call centers, for example.

The respondents were less concerned about security in Mexico than might be expected. Only 19 percent said they had experienced any supply chain disruption due to security issues in Mexico. Five percent said they expected a dramatic improvement in security and safety in Mexico over the next five years and 45 percent said they expected modest improvement.

AlixPartners said if trends continue, the freight forwarding mix may shift from Asia eastbound to more north/south traffic in the Americas, and that the Los Angeles region may see softening of demand for services by third-party logistics providers.

The survey results were presented by Foster Finley and Russ Dillion of AlixPartners' supply chain and manufacturing practice, on a conference call arranged by the investment bank Stifel Nicolaus.

John Larkin, a managing director at Stifel Nicolaus, said, "Companies with a significant footprint in Mexico and/or those handling a significant amount of transborder volume will likely benefit." The carriers with the highest level of exposure to the Mexican market are truckload carrier Celadon, Kansas City Southern railroad, and the intermodal company Pacer International.

GENERATE REVENUE FOR THE YUMA AREA COMMUNITIES

- Enhance services that Yuma offers
- Explore Yuma's niche markets
  - Logistics terminal
  - Fuels from Mexico
  - Chemical manufacturing
  - Military products
  - Agriculture products
  - Warehousing
  - Commercial and Retail
  - Border Security


- Seize Opportunities Generated from Punta Colonet
- Develop a plan that brings jobs to Yuma County
- Maximize Import/Export Options with Mexico

# WORLD TRADE = $$ FOR YUMA COUNTY?

How can Yuma County become a part of the value chain?

**TRADE IS THE BACKBONE OF THE WORLD ECONOMY!**