

Design and Construction in Mexico: Special Considerations

Construction projects in Mexico involve responding to special requirements and unique considerations that are far different than for projects in the U.S. With an in-country team of experts skilled in achieving timely and cost-conscious resolution, The Austin Company's Mexico team is experienced in successfully managing these requirements and considerations.

We understand how to successfully implement construction projects in Mexico for U.S. and international clients – beyond the bricks and mortar to include the administrative side, too, such as permitting, contracting and taxes. A discussion of these unique challenges follows:

Land Selection and Authorized Use

Legal status of a site is often not clear and it can be a long process to transfer property rights and ownership. Austin recommends the selection of a single-owner site and engagement of state officials to change the land use status early on.

Environmental Impact Studies

Austin's experience is that there is a wide range of review time for environmental impact studies relating to construction projects in Mexico, depending upon whether the project requires a local or Federal level review. Austin's team recommends preparing an impact study to fall under local review, which typically takes 2-3 weeks. Federal level review can take 12 months or more.

Utilities and Services

Austin recommends obtaining "Feasibility Letters" from every serving utility and negotiating utilities to the property line as part of the incentive package from the state. Electric power and natural gas are the most critical in this process.

Permitting

The permitting process requires both technical documentation and operational information. *Active follow up for every permit is critical.* Austin uses a permit matrix that addresses and manages the permits required at different levels. Recently, Austin obtained letters from the Secretariat of Economic Development, indicating authorization to proceed with construction activities as long as permit applications have been submitted. This has greatly improved overall project schedules and has resulted in projects being completed and delivered in a far shorter timeframe.

YKM Automotive Parts Manufacturing Facility

This 317,500 SF facility, an **Engineering News Record Global Best Project**, was designed and constructed by an Austin-led, joint project team based in the U.S., Mexico and Japan.



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Design and Engineering

The Mexican construction market demands that the level of engineering and detailing needed for certain disciplines, such as architectural, mechanical and electrical, be much greater than typical in the U.S. The quality of engineering documents is vital for the correct construction execution of the work in Mexico.

Construction Management

Construction work in Mexico requires two or three times more supervision than is typically needed in the U.S. Austin understands what is needed to assure that construction work is done correctly. Austin's comprehensive Quality Control and Quality Assurance programs are an integral part of this process.

Safety

A culture of safety is not typical in the Mexican construction industry. Safety, however, is a top priority of The Austin Company. We benchmark ourselves with U.S. OSHA standards and as such, our Mexico organization is recognized as a leader in safety in Mexico. Jobsite training is a key and the involvement and participation of subcontractors is mandatory.

Quality Assurance

Our team is one of the few contractors in Mexico to have an integrated quality-environmental management system compliant to ISO-9001 and ISO-14001 standards. We establish a project-specific quality program through a collaborative effort between all project stakeholders that is based on international quality criteria and certified to ISO 9001:2008 standards.

Significant elements of this project-specific quality program include written procedures for:

- Verification of delivered materials
- Inspection and Testing Protocols
- Mock-ups
- Benchmarking
- Lessons Learned
- Specific guidelines and installation procedures for all major CSI divisions
- Electronic record retention
- Commissioning

Construction quality is crucial and relies on the "measure twice, cut once" philosophy. In addition, our team ensures that all supervisors, trade leadership and all workers are well informed of the quality specifications and standards to be used.

Procurement

Mexico as a country does not produce many key building components for major manufacturing facilities, such as air compressors, boilers and chillers. This means that it is necessary for these

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components to be purchased from the U.S. or internationally. The financial capacity of the construction trade subcontracting community is limited. This means that work needs to be divided and aligned with the financial capacity and workload of the subcontractor community to avoid over stretching capabilities. Austin's Mexico Project Team is experienced in handling this level of trade subcontractor procurement and management.

Union Relationships

Registration of the project with the Construction Union is crucial and must be done very early in the project. It is not unusual to have several unions "claim" the project, even without a relationship with the construction company. Our team's relationship and history with the CTM Union is an important asset. CTM has agreed to all of our safety standards and procedures.

Social Security / Taxes / Duties

Social Security laws have recently changed in Mexico, requiring every contractor to declare 100% of the labor involved in each project and to pay fees according to this figure. In addition, the Social Security Office may have its own perspective of how much labor is needed for a project. This means that Austin must "negotiate" to a mutually agreed value of labor. The new laws also call for all of the supply chain to be involved in the process, making the client the final liable party. Our team will effectively manage this process for the Owner.

NAFTA allows for easy import of many construction components into Mexico from the U.S. or Canada. It is important for clients to register an Owner's PITEX program to allow for duty-free import of additional elements that are not covered under NAFTA. To benefit from IVA Tax Credits, all transactions must be between Mexican entities.

ABOUT THE AUSTIN COMPANY

The Austin Company provides complete design and construction services for U.S. and international clients through our office in León, Mexico, including: site location, planning, design and engineering, design-build, program management, construction management, construction services, installation and start-up.

Our Mexico team has the technical and financial resources necessary to undertake large, complex international projects. In addition, we understand how to successfully implement construction projects in Mexico for U.S. and international clients.

Learn more at www.theaustin.com/mexico

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