Reitmans - Appendix for presentation

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# Initiatives that will be implemented when the firm is private

Near-sourcing

* Manufacturing wages are lower than in China even before adjusting for Mexico’s superior worker productivity.
  + China’s wages have soared in the past decade. They were about one-quarter as high as Mexico’s in 2000 but are slightly higher now.
  + Labor productivity remains higher in Mexico, even though the gap is narrowing. The crossover point was 2012, when unit labor costs in China (i.e., wages adjusted for productivity) grew to equal those in Mexico. By 2015, Mexico will be around 29 percent less expensive.
* Mexican manufacturing has a significant advantage in energy costs.
  + Natural gas prices in Mexico are tied to those of the U.S., which are exceptionally low because of a glut of supply on the market. China pays from 50 percent to 170 percent more for industrial natural gas.
  + Mexico also has an edge over China in electricity costs.
* Mexico vs. China Shipping
  + Due to distance, customs, and importation the difference in time in transit from Mexico to the U.S. and China to the U.S. can be as many as 3 weeks.
  + The North American Free Trade Agreement (NAFTA) allows goods produced in Mexico to flow northbound across the U.S. border quickly and efficiently.

