

RENAULTMEXICO

Step 1 ADVANTAGES / DISADVANTAGES

Strength	Weakness
Significant place on European market	Weak on North American market
Already existing in North America having AMC and factories in USA and Mexico	Unable to develop in Mexican market, over capacity of Cleon (6% for export markets) And transit time !
Mexican trend is reliable on long term	Unreliable on short term
Same car models as in Europe only customization	Has failed in the past
Low labor cost in Mexico	Failure in the past
	Long lead time to supply from France by sea

To increase production capacity in Cleon, in Kenosha or in Mexico to develop on the market ...

Opportunities	Threats
To increase production in Kenosha or in a new Mexican plant opportunity to target second position on a strongly developing market	Unable to satisfy the market expected demand Duties and taxes make it impossible to import directly
Motor propulsion needs expertise about Kenosha and France as well as capacities	50% value regulation

And Step 2

THEORY DECISION under weighing criteria is needed here

Alternatives and events

We can weigh = Value Skill level at 40%, Imported at 30% and logistics at 30%

Criteria				CLEON	KENOSHA	MEXICAN PLANT	
<i>Market goal US/Mexico</i>	40%			1	10	8	
<i>Importation ability</i>	30%			2	8	10	
<i>Skill level</i>	20%			10	10	5	
<i>Logistical efficiency</i>	10%			2	8	10	
DECISION POINT				3,3	9,2	8,2	

Step 3 JUSTIFY

a) Cost details

Origin Kenosha 5500 €
Origin Cleon 3250 €
Equipment 2500 €

Value imported parts = 400 000 € = 0,01 x 40 000 000 Value parts / 8750 € = 6956 cars(p3)

We are far from 36000 cars p1 TARGETED goal i.e. 29044 cars are fully imported which is not anymore possible

Including transport cost (less 4% savings for containers use) =
10% transport cost x 3250 x 6956 = 2260700 / 2200 = 1028 40' containers CKD from Grand Couronne
Freight cost per unit

Additionnal cost is :

Transport represents 10% of part cost

including packing cost = 16%

including operating costs = 9,14%

including administrative cost and data processing +1.4%

Weight limits : 22 t per 40'

Step 4 Location in current transport conditions

Coordinates map decision

Is not working here as we decided shipment location and two possible production sites

Only transport cost is impacting

	Kenosha via Laredo	Cleon via Tampico
Monterrey	2500 + 350 kms	600 kms
San Luis	2500 + 800 kms	400 kms

Monterrey = (28,50x70 \$ x (3478+1028) + 28.50x5x22x(3478 +1028))

70\$ for 100 kms

5\$Ton for 100 kms

Or RAIL

=25,00*40*(3478+1028)+3*3.5*22*(3478+1028)

Due to duties level preventing from selling, local solution (Mexico and / or US) has to be found

Transport cost is another reason to ask for engine manufacturing location in Kenosha instead of Cleon adding the problem of delay.

We have to add that we expect a problem of capacity in Cleon.

Monterrey will increase capacity which is needed in Mexico and has to concentrate iron steel

This is the only way to solve customs duties and taxes problem in Mexico

Dealer price is 22500 USD

$0,85 \times 22500 \times 0,50 = 9562,50$ USD

cf $5500 + 3250$ USD = 8750 USD is fine for customs
to avoid 300% duties and taxes instead of 12% on assembled parts

Step 5

To take benefit of manpower attractive cost in Mexico as of the free trade between NAFTA members, we propose :

Engine and equipment to be produced in Kenosha reducing delay and transport cost at the same time.

AMC is able to do it properly. As Renault is owner of AMC there is no risk of knowledge control

Forecasts from Renault then from head office in North America than from Mexican head office and US head office from 3 to 1 month

Than industrial planning and calling for suppliers quantity : considering time of transport (11 days) average time of preparation of one week makes sense

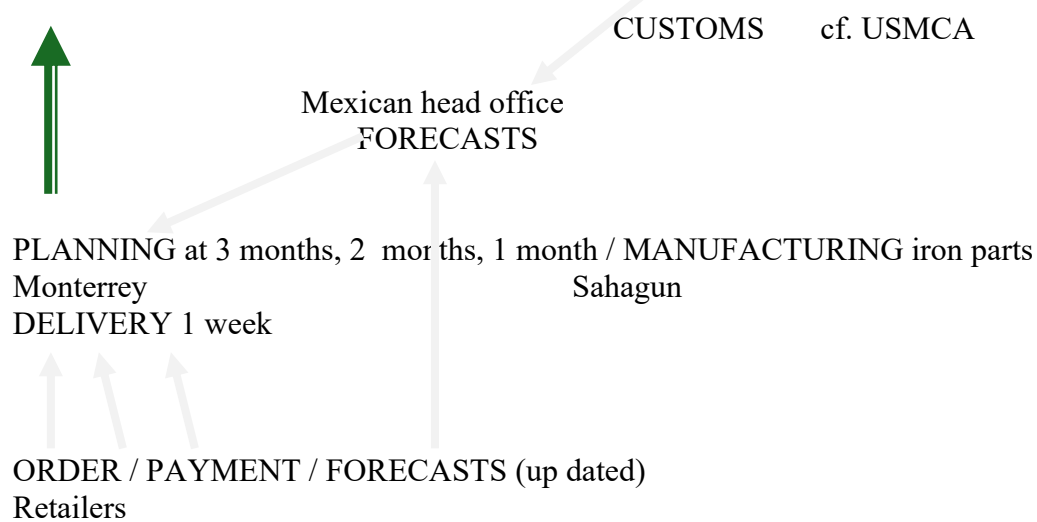
Than at week 2 firm order to be adjusted to start the car production (assembled : 1 week) and delivery to retailers 1 week.

Firm order from retailers have to be received with a lead time of 2 to 3 weeks.

Kenosha

CALLING FOR suppliers at 1 month, 3 weeks, 2 weeks / DELIVERY to plants

Inventory for parts manufactured longer than 1 week



Increasing margin in reducing transport cost and delay to the market