

**Podcast Transcript: Doug Donahue and Manuel Fernandez, Director of International Promotion for the state of Guanajuato**

***“How Guanajuato Became a Global Automotive Powerhouse,”  
January 2016***

**Doug Donahue:** Good morning, ladies and gentlemen. My name is Doug Donahue, and I’m a Vice President and Principal of the Entrada Group. Welcome to our ongoing series on Manufacturing in Mexico. Today we have with us Manuel Fernandez, the Director of International Promotion for the state of Guanajuato. Manuel has been with the state for over 20 years. He started to promote investment into Guanajuato through the World Trade Commission, which is a quasi-private sector government agency that started right around the time of NAFTA. Good morning, Manuel. How are you?

**Manuel Fernandez:** Good morning, Douglas. How are you?

**Doug Donahue:** Very good. Thank you. So there’s a lot of news about the state of Guanajuato. I started traveling there almost 20 years ago, and when I go today it’s a very changed place. What changes have you seen in the last 10 years? What if somebody who hasn’t been there in 10 years, what would they see today that’s different?

**Manuel Fernandez:** 20 years ago, Guanajuato was not on the map of the automotive industry. Some people refer to Guanajuato as a miracle, but trust me, it’s not an accident. We made it happen. The state government, a business oriented government, put in place and a strategy to make sure that the automotive industry finds in Guanajuato everything that they needed to support their operations. Guanajuato got started in the automotive industry in the late ‘60s, early ‘70s. But it was GM. When we landed GM in 1994, what brought Guanajuato into the automotive sector fast-track. In the last 10 years, we have had more than 15 billion U.S. dollars investment, most of them related to the automotive industry. Again, there was no

automotive industry, and today we got seven OEMs. So for people that have not been here in the last 10 years, it is fair to say they would not recognize it. Today we have not only seven OEMs but close to 250 OEM suppliers.

**Doug Donahue:** You mentioned it all started with GM. When did GM initiate operations?

**Manuel Fernandez:** GM, the [operating agreement] was in 1994. When GM came to Silao, the state economy was mostly based on light industry and agribusiness. It was a big challenge, but we put all the resources in place to bring the infrastructure, to bring the educational programs. Today, GM has the most efficient, most productive, truck facility in North America. The only problem they have is that they cannot make enough trucks. They're doing 380,000 trucks. We're very proud of it. There is a good number of suppliers that initially came to support GM, but today they do business with a lot of companies, not only in the state, but they ship to the U.S. and all over the world.

**Doug Donahue:** And you've mentioned the seven OEMs. Can you sort of outline who they are and where they came from?

**Manuel Fernandez:** After GM, we decided again to put in place a long-term strategy to bring more OEMs. So the second one we landed was Hino, is a subsidiary of Toyota that has an operation making commercial trucks. Then we landed Mazda, and then Honda. This year, we finally closed the deal with Toyota. We've been engaged in conversations with Toyota for close to 10 years. We're very pleased with Toyota. We finally made the deal earlier on this year. So in addition to that, we have Ford. Ford has made, the commitment to invest 1.2 billion U.S. dollars to a new transmission facility in Irapuato. And we have a Volkswagen that makes engines for Chattanooga as well as Puebla.

**Doug Donahue:** Many of the listeners of this audio cast tend to be smaller, first-tier, second-tier suppliers who are first trying to learn about Mexico. The OEMs have obviously made huge investments and are going to be there, but in your work what opportunities do you

see for the smaller first-tier and second-tier suppliers in the automotive industry in Guanajuato, as well as the larger Bajío, Central Mexico, area?

**Manuel Fernandez:** We see plenty of opportunity to invite tier one and tier two suppliers. We know that some of these companies are if not reluctant, they're hesitant, to make the move. Some of them, it's they are not familiar with the Mexican business environment. It's a priority for us. Behind our success is the fact that we try to become partners of the industry that is coming, and not partners, but friends. I mean, we have put in place a strategy to encourage small and medium size companies to move into the area to support the OEMs. So we know that it's not easy, but what we offer is a solution. To make a long story short, our job is to make sure that they have a soft landing. The opportunities are huge. There is a need for forging, for mold making, tool and dye making. There is plenty of opportunities for plastic injection, electronic components. What I'm telling you about the region, is the fact that in a radius of 120 miles around the state of Guanajuato, we have 10 OEMs. If things go well, we're very optimistic we're going to be making more than 2.2 million units. And there is plenty of opportunities again. There is the critical mass, there is the need for suppliers. A great opportunity for U.S. companies, for German companies, for Japanese, of course. So this is where most of the action is taking place in the automotive industry in Mexico. We are going, as everybody may know, from three million to five million cars. Our commitment is to make sure that Guanajuato offers an excellent base not only to do business with the companies or the OEMs located here, but companies located nearby such as Nissan, Mercedes-Benz has opened a new facility, as well as BMW or GM in San Luis. We have a very strong base of German suppliers that ship most of their products to Volkswagen and Audi in Puebla. Today more than 50 percent of our gross industrial product is related to automotive. In 1992, this is a good fact, the state exports were about 200 million dollars. Today we are going beyond 20 billion. From 200 to 20 billion. And most of it I need to say is related to automotive. So we say that what is good for the automotive is good for Guanajuato.



**Doug Donahue:** Very good. Very good. Manuel, a lot of the people that Entrada Group works with and interacts with, again, they're the first and second tier. And they understand what is going on in Mexico and specifically Central Mexico and Guanajuato. One of the questions that I often get is, "You know, Doug, we know we should be there, but we are not the OEM. But we still need very technical labor. How are we going to assure the supply of labor? How are we going to train people?" Does the state help in that process?

**Manuel Fernandez:** Absolutely. Today that's our top priority. Guanajuato last year trained 100,000 workers. We rank number one in the country. We have, we are pushing for an industry-driven educational system for the STEM, that means Science, Technology, Math and Engineering. We have more than 200,000 students currently enrolled in high school. We're pushing more and more to have technically oriented high schools. We also have an institution that makes tailor-made training programs. What we say is perhaps our number one commitment with our new partners, to make sure that we can help you find the people, train the people, develop the skills, invest as much as needed, to make sure that the workforce they have meets the standards. We have sent more than 1,000 people from Guanajuato to be trained overseas. Meaning the U.S., Europe, I mean, many place in Europe, Japan. So we know that's the key. We spent a full week in Germany tuning up our dual training programs, because we think it's one of the finest ways to support our partners. Educating or training the people is number one. We have about 35,000 students currently enrolled in engineering-related programs. We are graduating about 5,000 engineers per year. Also, we have what is called an open border policy. Guanajuato is not only a safe place to live, but offers a wonderful quality of life. So if you don't find the people in the area, I mean, people with 10 years or 15 years of expertise in plastic injection, you're welcome to invite people all over Mexico and they will be more than delighted to join the company. But our primary focus is to offer job opportunities to people from Guanajuato. What's happening before is that Guanajuato was sending a lot of people outside of the country to look for job opportunities. So we decided to create them here. Today we have an export oriented economy. We are very grateful with our partners. The

investment that the state has made, it's paying back very well. The number one priority for us is aligning our educational policies to make sure that we put in place what the industry needs.

**Doug Donahue:** Often when we bring new clients to the Guanajuato area, they're pretty stunned by how attractive the area and how nice the area is. Can you talk a little bit about what expatriates will, if they visit or choose to live in the Guanajuato area, what type of attributes they'll find?

**Manuel Fernandez:** Guanajuato offers a very good quality of life. We know that safety is perhaps the number one issue. We have invested very heavily to make sure that Guanajuato remains safe. That's our number one commitment. We offer, I would say, a good quality of life with good schools and good residential areas. It's a place full of history. It's a very attractive place for expats. In most of the states the industry is located in the state capital and they usually go, that's where 85 percent of the population, is usually located. That's what is happening in Central Mexico. In Guanajuato, you have options to live in, there is at least five different cities, in the Guanajuato 45 Industrial Corridor. Depending on the company needs, we help them find a site that offers what they need. But quality of life is good. Good hospitals, shopping centers, golf courses, good schools, universities, it's a beautiful place. We have a growing community of foreigners living in the area. We have people from more than 100 countries. This is amazing. Most of them, of course, are U.S., are Japanese, are German people, which are our three main partners today.

**Doug Donahue:** So we all understand that it's your job to represent the state as a whole, but as you know, Entrada Group's investment is their new campuses in Celaya. Could you speak a little bit to some of the advantages of the Celaya area for manufacturers?

**Manuel Fernandez:** Celaya is a place where the industry was born. I mean, where the automotive industry was born. Celaya holds a reputation of a strong industrial culture. We have one of the finest engineering and training centers in the area. The location couldn't be any better. Rail tracks that link Central Mexico and the ports with the U.S. go across Celaya since 1907, more than hundred years, makes



the region very attractive. You're very close to the ports of Lazaro Cardenas. Very well connected to the U.S. by Kansas City and Ferromex. It's a region that is booming. Honda has created 15,000 jobs. I mean, direct and indirect. The fact that Toyota is moving nearby. The state government is currently investing, with support of the federal government, close to 500 million dollars to improve the rail tracks. In the future, we are thinking, we are planning, to put an intermodal facility. So it has very strong logistical advantages, also very good educational and training institutions. It's a safe place to live. There is so much potential. You're decision set up your new campus, industrial campus, in Celaya was a good one. There is, again, plenty of opportunities for automotive companies to move into the area. You're talking to a large labor pool, close to a million people. Not far from Celaya is San Miguel de Allende, which is one of the most beautiful towns in Mexico. It's the number one destination for U.S. retired people. You have Querétaro, which is our neighbor state, not far from Celaya. So it's, again, a wonderful place to do business. There is plenty of infrastructure, natural gas, very robust electric power. So you can find in Celaya everything that is needed to support your customers.

**Doug Donahue:** Hey, Manuel, thank you for your time. I really appreciate it.

**Manuel Fernandez:** Thank you so much.

**Doug Donahue:** All right. Take care.