

Volkswagen de México

Puebla und Silao



Volkswagen



Think Blue.
Factory.



Area: Puebla: 766 Acres, Silao: 148 Acres

March 2018

Production: about 461,000 vehicles, 381,000 engines (2017)

Models: Volkswagen Jetta, Beetle, Beetle Cabriolet, Golf 7, Golf SportWagen, Tiguan Long Version, engines and components

Employees: About 14,600 employees (01/2017)

CEO: Andreas Hinrichs

Locations

The headquarters and the vehicle and component plants of Volkswagen de México are located in Puebla, the capital of the federal state of the same name, 74 miles south east of Mexico City. A Volkswagen engine plant was opened in Silao in the central Mexican state of Guanajuato in January 2013.

Production

The Volkswagen plant in Puebla is the largest automobile factory in Mexico and also one of the largest vehicle plants in the Volkswagen Group. All the production processes needed, including the stamping of body parts and the production of engines, axles and catalytic converters, take place here. In 2017, a total of 461,000 vehicles left the production lines in Puebla. The plant site has an area of more than 766 acres, with buildings accounting for about 550,000 square meters.

Since the beginning of 2013 the Silao engine plant has supplied latest-generation engines to the vehicle plants in Puebla, Mexico, and Chattanooga, USA. It is designed for an annual capacity of 330,000 engines and has a total area of 148 acres, with buildings accounting for 76,000 square meters.

The Puebla plant produces the models: Jetta, Beetle, Beetle Cabriolet, Golf, Golf SportWagen and Tiguan Long Version.

Sales

In the Mexican market, Volkswagen de México is responsible for sales and marketing not only of the Volkswagen brand, but also the SEAT, Audi, Bentley and Porsche brands. In 2017, deliveries of all Group brands in Mexico reached about 234,000 vehicles.

Management

Andreas Hinrichs has been CEO of Volkswagen de México since March 2011, having previously headed Volkswagen Autoeuropa in Portugal.

Other members of the Board of Management are Everardo Rodriguez for Production and Logistics, Pierre Bruedgam for purchasing, Mike Glendinning for Sales and Marketing, Björn Ehlbeck for Finance and Organization and Salvador Garrido for Human Resources.

Environment and sustainability

With its "Think Blue. Factory." initiative, the Volkswagen brand has set itself clear targets for the environmentally sustainable positioning of all its plants. The aim is to make all Volkswagen plants 25 percent more environmentally compatible by 2018. Specifically, this means lower energy and water consumption, waste volumes and emissions at all plants compared with 2010.

With "Think Blue.Nature." Volkswagen de México is engaged in nature and biodiversity protection in Mexico.

In 2005, Volkswagen de México set up the "Conservation Biology Research Award" under the motto "For the Love of the Planet", with the aim of promoting research in the fields of biodiversity and nature conservation in Mexico. A grant of 500,000 Mexican pesos (approx. 25,000 USD) is awarded to a Mexican scientist for outstanding work each year. The same amount is awarded to support research activities related to nature protection projects.

Since 2008 Volkswagen de México, in cooperation with 39 suppliers and the National Commission of Nature Protection Areas, has financed the reforestation of 600 hectares in the mountain range between the Iztaccíhuatl and Popocatepetl volcanoes at an elevation of 3,600 meters. 490,000 conifers have been planted and 47,000 soakaways constructed. 4 million cubic meters of water per year are captured to replenish the groundwater in the Puebla valley. This is significantly more than the quantity of water used by Volkswagen's Puebla plant, its partner companies and the households of all the program partners' employees. The trees also stabilize the ecosystem because the new biomass absorbs carbon dioxide and contribute to improving living conditions for endemic species. To date, Volkswagen de Mexico has invested more than USD 1 million.

An additional reforestation project with a similar objective was initiated near the new engine plant in Silao in the state of Guanajuato in 2011.

The latest contribution to nature preservation in Mexico is a cooperation project with the German development agency GIZ and the National Commission of Nature Protection Areas, which has trained young people to become Nature Ambassadors to foster awareness of nature protection in their local environment since 2014. These "Eco Chavos" (Eco Youth) initiate nature protection activities in their communities located in the biodiversity corridor CESMO (Corredor Ecológico Sierra Madre Oriental). This corridor extends over five Mexican states and is home to 650 endangered species.

Corporate social responsibility

Volkswagen de México makes an important contribution to the Mexican economy with new jobs and high export volumes. In addition, Volkswagen in Mexico is committed to providing support for social projects. Employees and the company have donated more than 39.5 million Mexican pesos (about USD1.8 million) since 2002 in support of social projects for needy children in Puebla State.

Training

In order to develop the competencies of its employees, Volkswagen runs a training and education center in Puebla (Instituto Volkswagen). This institute also includes a language school which not only teaches Volkswagen employees, but also provides courses for the general public at its branches in the city. Technical vocational training based on the German dual system forms the core of training activities. Production specialists receive three years of training. These services are also offered to other companies, especially suppliers located near the plant.

Volkswagen is the pioneer of the dual training system in Mexico, having trained 5,000 young people as technical specialists since 1967.

Special Section: 50 years of Volkswagen de México

Market entry in Mexico

Volkswagen's orientation towards Mexico marked a further step in the internationalization process the company had already begun in Brazil and South Africa in the 1950s. Mexico was another emerging automotive nation where one focus of government industrialization policy involved establishing a national automotive industry. Volkswagen already began exporting to Mexico in 1954, establishing an import company for the purpose called "Volkswagen Mexicana S.A." which set about obtaining import quotas and contracting companies to assemble CKD (completely-knocked-down) Beetle kits. In 1958, responsibility for the Mexico operations was transferred to "Volkswagen Interamericana S.A." which was also responsible for exports to other Central and South American countries.

Establishment of Volkswagen de México

The development of this promising sales market entered a critical phase in 1962 when the Mexican government drastically tightened regulations. Car manufacturers were required to prove that the value added in Mexico accounted for 60 percent of a vehicle's value, attributable, for example, to purchasing parts and components from Mexican suppliers. For Volkswagen which had a contract with Promexa S.A. for the assembly of imported Beetle kits and which marketed these vehicles through Volkswagen Interamericana S.A., it was time to act. In order to comply with the government's requirements and consolidate the market position now held by Volkswagen in Mexico, it was essential for the company to build its own production plant. Placing their faith in the growth potential of the market, the first step involved the acquisition of Promexa S.A. by Volkswagenwerk AG effective January 1, 1964, and this was followed by the founding of an import, production and sales company called "Volkswagen de México, S.A." on January 15, 1964. Ten years after entering the Mexican market, Volkswagen thus added a further plant to its international production network.

Establishment of Puebla plant

As the number of Beetles assembled by the car manufacturer itself soared to 13,000 in 1965, work began on setting up a new plant in Puebla – a large city in Central Mexico with a good infrastructure. Following commissioning of the press shop, body shop, engine and axle production and final assembly, the first Beetle left the assembly line in Puebla on October 23, 1967.

In order to increase import quotas and thus improve capacity utilization Volkswagen de México focused on exports. From 1969, the VW dealer organizations in the USA, Central and South America and Germany took spare parts made in Mexico. In 1974, Volkswagen de México sold about 115,000 vehicles, thus holding a market share of 35 percent.

Economic crisis in Mexico

The string of successes came to an end the following year. Mexico's swelling foreign indebtedness and the devaluation of the peso as a result of the introduction of the floating dollar-peso exchange rate in 1976 brought economic highs and lows. This macroeconomic instability hit the automotive market, which contracted until 1977. VWdM found it hard to compensate for the difficult economic conditions. The result was high losses and manpower cutbacks of almost 25 percent, taking the workforce down to 7,550 in 1976/77. The launch of the Golf and the basic version of the Transporter stabilized sales. A further factor accounting for rising capacity utilization was the fact that, with the Beetle no longer being produced in Germany, Mexico was now supplying the iconic Volkswagen model to markets in Europe, bringing Volkswagen de México higher export revenue and allowing the company to balance imports against its own exports. The expansion of the model range, the start of parts supplies for the Rabbit, built in the USA from 1978, as part of the production network alliance and the gradual revival of the Mexican economy were some of the main reasons why Volkswagen de México was able to regain lost ground. In 1979 the company had a workforce of almost 10,900 and vehicle sales of 112,500 units, almost on a par with the figures for 1974.

Economic policy considerations

Good business development on the Mexican market was accompanied not only by capacity expansion and greater manufacturing depth, but also by expansion of the press shop and the construction of a modern engine production facility, all of which accelerated the integration of Volkswagen de México in the Group production network. Apart from the Beetle built for Europe, from 1981 exports also focused on the supply of engines and axles for the Rabbit built at the Westmoreland plant in the USA. The economic crisis that hit Mexico in 1982 again decelerated the company's growth trajectory, although VWdM was nevertheless able to expand its leading position in the passenger car segment with vehicle sales of 141,000 units and a 38.4 percent market share.

Stabilizing the markets – Realigning business in North America

A fundamental transformation in the economic and trade framework began to emerge at the end of the 1980s. The planned creation of a free trade zone was factored into the Volkswagen Group's strategic planning as the Group realigned business in North America following closure of the former Westmoreland, USA, plant and transferred production of the Golf and Jetta for the US market to Volkswagen de México. This not only called for expanding annual capacity to 350,000 vehicles and modernizing production, but also required significant progress in quality and productivity. The transformation of the Puebla plant into a lean factory continued until the mid-1990s and involved major investment to the tune of US\$800 million between 1990 and 1994 alone. Production of the third-generation Golf/Jetta, which heralded a consolidation of Volkswagen's market position in the USA, began there in 1994.

Volkswagen de México on a growth trajectory

The investments initiated to implement the North America strategy did not begin paying off until the mid-1990s with the stronger US dollar creating favorable conditions for exports to the USA. FINSA Puebla Industrial Park, a dedicated suppliers park, opened in 1994 and paved the way for Volkswagen de México as a lean producer. Logistics networking with suppliers and outsourcing upstream processes meant that Puebla achieved the requisite level of flexibility and profitability to supply the US market at that time. A US\$1.5 billion investment boost in the period from 1995 to 1999 prepared the Mexican company, among other things, for the start of New Beetle production. The model was built exclusively in Puebla and exported worldwide from 1998. Restructuring of Volkswagen de México is thus indicative of the globalization of the Volkswagen Group from the 1990s.

At the same time as the New Beetle was being built, preparations for starting production of the fourth-generation Jetta based on the Group's platform strategy were underway. Key growth momentum for export business at Volkswagen de México came from the outstanding early success of the New Beetle combined with the Jetta as Volkswagen's bestselling model in the USA. The company was also able to expand its position on the domestic market where demand for automobiles was bolstered as the economy began to pick up in 1998. Volkswagen regained market leadership in Mexico in 1999, delivering 125,500 vehicles; this figure included 1,750 models from the Audi brand which made its successful debut on the Mexican market in 1997. The real breakthrough came in 2000: The Mexican market grew by 28 percent, while sales growth at Volkswagen and Audi topped 36 percent. Production also reached a new record: 425,000 cars were built in Puebla, 2/3 of them destined for the USA and Canada.

Revolutionizing economic policy

The free trade agreement with the European Union was signed in 2000. Volkswagen's New Beetle project and DaimlerChrysler's PT Cruiser project had convinced the Mexican government of the need for a counterbalance to NAFTA in the automobile industry as elsewhere. The agreement with the EU was soon followed – partly on the initiative of Volkswagen – by talks with Mercosur on a trade agreement in the automobile sector.

End of an era

The New Beetle gave Volkswagen de México the opportunity to raise its profile as a global production location. Both the old Beetle and the New Beetle were built in Puebla until July 2003. The end came as July 2003 drew to a close: The last Beetle rolled off the assembly line in Puebla at a simple ceremony with a limited edition of 3,000 special models marking the end of an era.

Significance of Puebla site grows

Vehicle exports from Europe to the dollar region became significantly more expensive from 2003 as a result of the strong euro and this reinforced the strategic significance of Volkswagen de México with respect to Volkswagen's position on the North American market. The Jetta, which remained the most important export model in Volkswagen de México's range of products, was completely redesigned at the end of 2004 and some 100,000 units were already sold in the USA the following year. The fact that the fifth generation was exclusively built in Puebla and also exported to Europe from there reflects the successful modernization of the plant. This also led to a further key decision: The Golf Estate, based on the same platform as the Jetta, has been built in Mexico for markets all over the world since 2007. VWdM produced some 450,000 vehicles in 2008, half of them destined for North America, while the other half were delivered to customers in Europe, Asia and South America.

Anti-cyclical investments

Markets in North America were particularly hard hit by the 2009 financial crisis, and production in Puebla dropped to 320,000 vehicles. Nevertheless, the company continued with the expansion plans approved pre-crisis. These included a further increase in capacity at the Puebla plant for the next generation of the Jetta, and the search for a new site to locate a new engine plant, since the land reserves in Puebla had already been exhausted.

Production of the new Jetta began at the plant with its increased daily production capacity of 2,500 vehicles in 2010. This was also the year when the decision to build the new engine plant in Silao was taken.

Return of the Beetle

510,000 automobiles were built in Puebla in 2011 and this year also saw production of another new model commence: The next generation of the Beetle, known as The Beetle, continued the success story. The Beetle Cabriolet followed in 2012 and with three new models under its belt the Puebla plant reported the next production record in 2012: 604,000 vehicles were built in one year, underpinning Puebla's position as the largest car manufacturing plant in North America, a position already won in 2011.

10 million Volkswagens from Mexico

2013 began with the inauguration of the engine plant in Silao which delivers modern TSI engines to the vehicle plants in Puebla and Chattanooga. In 2013, the total number of Volkswagen is produced in Mexico since 1964 reached 10 million.

50 years of Volkswagen de México and the new Golf

Volkswagen de México has produced the new seventh-generation Golf since 2014. The new model brought the global toolkit approach of the Volkswagen Group to Mexico with the Modular Transverse Toolkit. Puebla supplies Golf and Golf Estate vehicles to markets in North and South America. The start of production of the new Golf in January 2014 coincided with a memorable milestone in the company's history, the 50th anniversary of its foundation.