

PRESS RELEASE

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Nearshore Trends as Medical Device Manufacturers React to Newly Imposed U.S. Excise Tax

Co-Production International Notes Increase in Inquiries by Medical Device Manufacturers Seeking to Move Production to Nearshore Mexico

Tijuana, Baja California, MEXICO. Beginning this January 2013, the United States began charging a new 2.3% excise tax on the sale of medical devices, acting as one of the many funding sources of the new Affordable Care Act (ACA) meant to provide healthcare to millions of uninsured Americans. Medical device manufacturers are reacting to this new tax in a variety of ways, including looking to lean operations by moving to [nearshore production in Mexico](#). Attempts to balance the new increase in product purchase cost due to the new excise tax being levied on medical device products, Co-Production International (CPI) is noting the increase in inquiries by manufacturers exploring nearshore manufacturing in Mexico.

"We've seen a dramatic increase in online and personal inquiries from [medical device manufacturers](#) since the tax went into effect in January," commented Enrique Esparza, President of CPI. "Mexico has always offered the better alternative to overseas production, beginning with unbeatable proximity to North American markets, our low-cost & highly technical labor force, to our pro-business environment and the no-tariff NAFTA [North American Free Trade Agreement] provisions enjoyed by Mexico, the U.S. and Canada. It's no surprise the 'Mexico option' has moved to the top of many international manufacturers business plans as they now face a 2.3% increase in the cost to sell of their products due to the AAC going into effect."

The new tax is spurring spit-fire dialogues with outcries from the medical device manufacturing industry citing the impact on American jobs, the negative impact on sales, and the increase in cost-to-sell medical device products with the new excise tax. The tax is expected to bring in around \$29B of the \$1.3T needed to cover an estimated 27 million Americans over the next 10 years. The tax, being applied to revenue, not profit, is shaking up manufacturers and distributors. Some have begun to pass on the 2.3% tax as a line item on their invoices to hospitals and purchasing groups with some of these accounts refusing to pay the line item altogether in protest of the new costs. Smarter manufacturers intent on not nickel-and-diming their current clientele, now have an opportunity to reduce production costs by moving operations near shore, explained Denisse Martinez, Marketing Director at CPI.

The new tax may make some manufacturers panic to make-up or at least cover the new cost increase, but Martinez notes that an increase in production, import or sale costs always force business owners to evaluate their operations. "CPI has previously allowed other international businesses, from electronics to automotive manufacturers, weather new costs and lean their operations in ever-changing business environments," Martinez reflected. This is not the first time CPI has stepped up to assist businesses seeking to lower costs and increase profits by exploring nearshore options in Mexico.

Only a small handful of companies like CPI have the expertise and breadth of partnerships to make moving some or all of manufacturing operations to nearshore Mexico. As a country that graduates more engineers per year than the U.S., the highly skilled workforce has attracted companies manufacturing sensitive products such as medical devices or aerospace products, both requiring towers of safety and certification procedures to make it to market. With the growth of facilities and support services at the border regions, manufacturers turn to companies like CPI for shelter company services, contract manufacturing and personnel outsourcing, to get their product produced better, at a lower cost and with the speed-to-market only Mexico's proximity can offer, often beating out overseas competition.

"[Medical Device Manufacturers](#) - Welcome to Mexico," Esparza commented explaining that with combined experience of over 35 years, the staff at CPI has been and continues to be equipped to handle various manufacturing business's needs and welcomes the medical device industry to the benefits of nearshore manufacturing in Mexico. More information on the details of the medical device excise tax and what products it includes, see: [US IRS on New Medical Device Excise Tax](#)

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Co-Production International is an administrative services provider located in San Diego, CA, offering successful business expansion facilitation, shelter company program services, day-to-day administrative duties, site selection, and the complete set-up and operation of your manufacturing activities in Mexico. For more information visit www.co-production.net