

Volkswagen to invest \$1 bn in Mexican plant

German automaker Volkswagen has announced it plans to invest \$1 billion in its plant in Puebla in central Mexico between 2008-2010, Spains' EFE news agency reported Sunday.

The money will be earmarked for the manufacture of the Jetta and Bora models and to increase the plant's capacity, the company's chief executive, Martin Winterkorn, said Friday in a ceremony attended by Mexican President Felipe Calderon.

'I think this is an important signal for the future,' Winterkorn said, according to a communique issued by the Mexican presidency

The official said Volkswagen is one of Mexico's most important employers, with 16,000 people employed in Puebla, 11,000 more in the auto-supplier industry and approximately 10,000 into the firm's dealership network in the country.

He, however, said that Volkswagen was concerned over 'the disappointing development of Mexico's domestic market,' and added, 'The negative influence of used car imports from the US can't be ignored.'

President Calderon said he issued a decree Friday to regulate the used automobile market and 'reduce the unfair competition suffered by the Mexican automobile industry.'

Calderon said the decree reduced the maximum age of legally importable automobiles from 15 years to 10 years and also makes the vehicles subject to the full standard value-added tax as opposed to a previous reduced rate.

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