



Mexico's Aerospace Summit

Industry Analysis - Near Shore Manufacturing

Queretaro, Mexico

October 4-5, 2012

U.S.A. - MEXICO

BASA

—
The highlights as of October
5, 2012

B A S A THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE UNITED MEXICAN STATES FOR THE PROMOTION OF AVIATION SAFETY

- ▶ This Bilateral International Treaty was executed by the Federal Transportation Authorities of the United States of America and Mexico in Montreal, on September 18th, 2007, and binds the Government of the two countries (the “Parties”).
- ▶ Implementing Authorities: In the U.S.; the Federal Aviation Administration (FAA) of the Department of Transportation; in Mexico; the Mexican General Directorate of Civil Aeronautics (DGAC) of the Ministry of Communications and Transport.



BASA (A.K.A. BILATERAL AVIATION SAFETY AGREEMENT)

- ▶ The U.S.A. and Mexico agreed to facilitate acceptance by each Party of the other Party's:
 - ▶ (a) airworthiness approvals and environmental testing and approval of civil aeronautical products, and
 - ▶ (b) qualification evaluations of flight simulators.
- ▶ To facilitate acceptance by the Parties of the approvals and monitoring of maintenance facilities and alteration or modification facilities, maintenance personnel, flight crew members, aviation training establishments, and flight operations of the other Party, and
- ▶ To provide for cooperation in sustaining an equivalent level of safety and environmental objectives with respect to aviation safety.



B A S A “AIRWORTHINESS APPROVAL” MEANS A FINDING THAT THE DESIGN OR CHANGE TO A DESIGN OF A CIVIL AERONAUTICAL PRODUCT MEETS STANDARDS AGREED BETWEEN THE PARTIES OR THAT A CIVIL AERONAUTICAL PRODUCT CONFORMS TO A DESIGN THAT HAS BEEN FOUND TO MEET THOSE STANDARDS, AND IS IN A CONDITION FOR SAFE OPERATION.

- ▶ Pursuant to the BASA, The FAA and the DGAC shall conduct technical assessments and work cooperatively to develop an understanding of each other's **Standards** and systems in the following areas:
- ▶ 1.- **Airworthiness approvals of civil aeronautical products;**
- ▶ 2.- Environmental approval and environmental testing;
- ▶ 3.- Approval and monitoring of maintenance facilities and maintenance personnel;
- ▶ 4.- Approval and monitoring of flight operations and flight crew members;
- ▶ 5.- Evaluation and qualification of flight simulators, and
- ▶ 6.- Approval and monitoring of aviation training establishments



BASA – IT'S ABOUT TIMING

--What isn't ?



When such **Standards** are sufficiently equivalent or compatible to permit acceptance of findings of compliance made by one Party for the other Party to the agreed-upon standards, the civil aviation authorities shall execute written Implementation Procedures describing the methods by which such reciprocal acceptance shall be made with respect to that technical specialty.



& MUTUAL RECOGNITION

The Implementation Procedures deal with the provisions for reciprocal acceptance of civil aviation authority actions such as test witnessing, inspections, qualifications, approvals, monitoring and certifications;



IMPLEMENTATION PROCEDURES FOR AIRWORTHINESS (IPA)



Document dated
July 21, 2009

It covers THE DESIGN APPROVAL, PRODUCTION
ACTIVITIES, EXPORT AIRWORTHINESS APPROVAL,
POST DESIGN APPROVAL ACTIVITIES, AND TECHNICAL
ASSISTANCE BETWEEN AUTHORITIES



IMPLEMENTATION PROCEDURES

- ▶ The purpose of this Document is to define the civil aeronautical products, parts, and appliances eligible for import into the U.S.A. and México, and to define the interface requirements and activities between authorities for the import and continued support of those civil aeronautical products, parts, and appliances.
- ▶ These Implementation Procedures address the performance of design, production, airworthiness, and related certification functions, and are based on a high degree of mutual confidence in the FAA's and DGAC's technical competence and regulatory capabilities to perform these tasks within the scope of such Document.
- ▶ The FAA and DGAC, as importing civil aviation authorities, shall give the same validity to the certification made by the other, as the exporting civil aviation authority, as if the certification had been made by the FAA or DGAC in accordance with its own applicable laws, regulations, and requirements.
- ▶ The fundamental principle is to maximize the use of the exporting civil aviation authority's aircraft certification system to ensure that the airworthiness standards of the importing civil aviation authority are satisfied .



APPLICABLE NATIONAL REQUIREMENTS, PROCEDURES, AND GUIDANCE MATERIAL

- ▶ **U.S.A.** - The FAA's standards for aircraft airworthiness and environmental certification are contained in the Code of Federal Regulations (CFR), Title 14, Parts 21, 23, 25, 26, 27, 29, 31, 33, 34, 35, and 36. The FAA also uses Certification Specifications (CS)-22 and (CS)-VLA for some special class aircraft. Guidance material, policy, and procedures are contained in FAA Advisory Circulars, Orders, Notices, and Policy Memoranda.
- ▶ **Mexico** - DGAC standards for aircraft airworthiness and environmental certification are contained in the CP AV-01/02 Standards for Aeronautical Design Accepted by the Aeronautical Authority (January 24, 2012), Mexican Airworthiness Standard CP AV-05/05, Standards for the Certification of Aeronautical Products Accepted by the Aeronautical Authority (July 25, 2008). Procedures are contained in *Normas Oficiales Mexicanas* (NOM) procedures, and guidance material.



APPLICABLE NATIONAL REQUIREMENTS, PROCEDURES, AND GUIDANCE MATERIAL

- ▶ CO AV-29-11 R1 Standards for Aeronautical Manufacturing of Products and Parts Approval Accepted by the Aeronautical Authority (dated June 27, 2012) is Mexico's most recently enacted **Standards**.
- ▶ It applies to all companies that manufacture in Mexico Aeronautical Products and Parts.
- ▶ These **Standards** are the response to a high increase of enterprises manufacturing Aeronautical Products (airplanes, motors and/or propellers) and Aeronautical Parts that are installed in such Aeronautical Products who must comply with all applicable Airworthiness Standards.



MANUFACTURING OF AERONAUTICAL PRODUCTS AND PARTS IN MEXICO

- ▶ All entities established in Mexico with the purpose of manufacturing **Aeronautical Products or Parts** must comply with all requirements contained in the aforementioned Standards in order to obtain a “Manufacture Approval” from the Aeronautic Authority to proceed with any manufacturing/production process.
- ▶ The DGAC is the authority that evaluates, qualify and apply sanctions, by due process, in cases of non-compliance to these **Standards**, or related laws, regulations and Mexican Standards that apply.
- ▶ For anything not addressed by these Standards, the entities will contact the Aeronautic Authority for it to resolve on such matters.



MANUFACTURING OF AERONAUTICAL PRODUCTS AND PARTS IN MEXICO

- ▶ The Manufacture Approvals are based on the identification of the applicable Aeronautical Manufacturing Process. Under these **Standards**, the Aeronautical Authority itemizes and outlines and provides a detailed list of the applicable Requirements, Responsibilities, Certificates, and other provisions to obtain such Approvals.
- ▶ These **Standards** include the legal framework on Plant Visitations and other rights and obligations, or on applying for the Mexican Standard Technical Order, or for getting the Mexican Manufacturer Certificate (for parts that are not certified in Mexico), as well as on obtaining the Authorization Permit to Set up an Establishment (a facility that will operate the assembly, manufacture, or production of Aeronautical Products or Parts).



GETTING THE APPROVAL TO MANUFACTURE IN MEXICO

La Secretaría de Comunicaciones y Transportes, con base en el artículo 21, Fracción XIV de su Reglamento Interno y por conducto de la Dirección General de Aeronáutica Civil, expide la presente Aprobación de Producción:

tipo:

CERTIFICADO DE APROBACIÓN PARA PRODUCCIÓN

a favor de:

Nombre de la empresa y razón social

con domicilio y plantas de manufactura ubicadas en:

Calle y número

Colonia o fraccionamiento

Código postal, ciudad y estado

haciendo constar que la empresa de manufactura arriba mencionada, realiza actividades de producción de productos aeronáuticos y tiene un sistema de calidad o programa de inspecciones de acuerdo a las Normas, Procedimientos y Reglamentos prescritos por la Dirección General de Aeronáutica Civil:

Aeronaves, motores o hélices

Vigencia:



EVIDENCING “MADE IN MEXICO”

La Secretaría de Comunicaciones y Transportes, con base en el artículo 21, Fracción XIV de su Reglamento Interno y por conducto de la Dirección General de Aeronáutica Civil, expide la presente Aprobación de Producción:

tipo:

CONSTANCIA DE MANUFACTURA

a favor de:

Nombre de la empresa y razón social

con domicilio y plantas de manufactura ubicadas en:

Calle y número

Colonia o fraccionamiento

Código postal, ciudad y estado

haciendo constar que la empresa de manufactura arriba mencionada, realiza actividades de manufactura de artículos aeronáuticos y tiene un sistema de calidad o programa de inspecciones de acuerdo a las Normas, Procedimientos y Reglamentos prescritos por la Dirección General de Aeronáutica Civil:

Artículos aeronáuticos

Vigencia:

Esta Aprobación de Producción es vigente a partir de la fecha de su emisión, a no ser que sea cancelado, sus



ESTABLISHMENT PERMIT

APROBACIÓN DE PRODUCCIÓN – PERMISO DE ESTABLECIMIENTO

La Secretaría de Comunicaciones y Transportes, con base en el artículo 21, Fracción XIV de su Reglamento Interno y por conducto de la Dirección General de Aeronáutica Civil, expide la presente Aprobación de Producción:

tipo:

**PERMISO DE ESTABLECIMIENTO
PE-**

con plantas de manufactura ubicadas en:

Calle y número
Colonia o fraccionamiento
Código postal, ciudad y estado

No omito comentarle que este Documento únicamente aprueba las actividades encaminadas a iniciar las actividades de ensamble, manufactura, fabricación y producción, y posteriormente deberá de gestionar el otorgamiento de la Aprobación de Producción correspondiente con la Dirección de Ingeniería de Normas y Certificación conforme al alcance de las actividades de que esa empresa lleve a cabo en sus plantas de manufactura.

Sin más por el momento, aprovecho la ocasión para enviarle un cordial saludo.



KEEPING PERMITS AND AUTHORIZATIONS

- ▶ Permits must reflect at all time the current conditions of an Aeronautical enterprise, establishment, operation or facility:
- ▶ Operators in this field are used to adapt effectively and rapidly to the changes on their environment and markets. Managing the authorizations certificate and permits under BASA must combine a compliance practice on a status quo basis and a constant will of adaptation to such external and internal demands, so reviews, and the assistance of the Aeronautics Authority shall update the legal framework at similar speeds.
- ▶ Paperwork is not the end of the story: All to-do obligations that derive upon the entities that apply and are subject to these **Standards and Requirements**, by reason of their activities and their permits, must keep alive their authorizations, certifications and airworthiness status to stay focused on the manufacturing, design, assembly and import and export of the Aeronautical Parts.



TOWARDS THE INTERNATIONALIZATION OF ALL AERONAUTICAL MARKETS

- ▶ Mexico's Aeronautical Authority is constantly issuing its governing rules, regulations and standards, while at the same time, it is enrolled in a gravity force bringing all actors at the Internationalization of the Aeronautical Markets, which is expanding its relevance for Mexico, as seen in the recent presentations in this forum. Let us focus on the legal matters so you can stay focused on the core business.

The Growth!



IN THE BIG PICTURE

- ▶ The DGAC as the regulatory entity in Mexico implementing the BASA faces also the adaptation to today's needs in the specialized Markets, in a collaboration of Nations as with the U.S.A., and as such it must deal with the enforceability and harmony of provisions, rules and understandings reached at the Chicago Convention, the Convention on International Civil Aviation of the International Aviation Organization, and other International Treaties to which Mexico is a Signatory, the Mexican Civil Aviation and other National Laws and Rules and its Technical and Official Standards.



FOR U.S.A. AND FOR MEXICO

- ▶ 5 YEARS AFTER BASA BETWEEN THE U.S.A AND MEXICO ...,
- ▶ ~OPPORTUNITIES ARE EXCEEDING THE EXPECTATIONS FROM ITS INCEPTION ARE MULTIPLYING AND MATURING THE MARKETS;
- ▶ ~WE EXPECT BASA AND ITS DERIVING LEGAL FRAMEWORK TO CONTINUE SUPPORTING THE EXPANSIONS AND THE IMPROVEMENT TO COMMUNICATIONS AND THE DEVELOPMENT FOR THOSE INVOLVED AND SUCH MARKETS~



LABOR CHANGES

- ▶ Hourly payment.
- ▶ Initial training (three or six months) mixed committee approval for termination.
- ▶ Trial period of 30 or 180 days, mixed committee approval for termination.

OUTSOURCING

- ▶ No main activity.
- ▶ Specialized character.
- ▶ Not all employees.
- ▶ Not equal to those already working.
- ▶ Otherwise there will be joint liability.
- ▶ Service companies (profit sharing).

TERMINATION

- ▶ Sexual harassment.
- ▶ Notification given by certified mail.
- ▶ Downtime, 12 months and 2% for 15 months.

MISCELLANEOUS

- ▶ Payment of salary through several means.
- ▶ Promotions by merit not by time.
- ▶ Who defines productivity (national committee).

COLLECTIVE MATTERS

- ▶ No transparency.
- ▶ No exclusivity clause.
- ▶ There are no changes in strikes.

MAQUILADORA WISH LIST

- ▶ Comprehensive law.
- ▶ Tax structure.
- ▶ Service maquiladoras.
- ▶ Certified companies (Inspection similar to US system).

WHERE TO CONTACT US:

**Humberto Gayou, Esq.
LEXCORP ABOGADOS
Paseo San Jerónimo #1665,
Despacho 2
Fraccionamiento San Jerónimo
Ciudad Juárez, Chihuahua
32500 MEXICO**

☎: (011-52) 656/227-0300
📠: (011-52) 656/618-3001
hgayou@lexcorpabogados.com

**Alberto Portela, Esq.
LEXCORP ABOGADOS
Privada Parque de los
Industriales No. 110,
Despacho 601
Torre Kubica, Zona Jurica
Ciudad Industrial Benito Juárez
Querétaro, Querétaro
76100 MEXICO**

☎: (011-52) 442/199-0203
📠: (011-52) 442/199-0083
aportela@lexcorpabogados.com

THANK YOU!





Mexico's Aerospace Summit

Industry Analysis - Near Shore Manufacturing

Queretaro, Mexico
October 4-5, 2012