

The International Comparative Legal Guide to:

Aviation Law 2018

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Mexico



Luis A. Cervantes Muñiz



Cervantes Sainz, S.C.

Alejandro Zendejas Vásquez

1 General

1.1 Please list and briefly describe the principal legislation and regulatory bodies which apply to and/ or regulate aviation in your jurisdiction.

Civil aviation law in Mexico is governed and regulated at a federal level. The legislative bodies applicable to aviation at the first and second tiers are:

- The Federal Constitution, which provides the legal framework from which the regulation of air transport derives.
- The Civil Aviation Law and the Regulations to the Civil Aviation Law, which regulate air transport, safety, security and air traffic rights.
- The Airports Law and the Regulations to the Airports Law, which regulate airport construction, operation, administration and the relationship between airports, users and service providers. These deal with specific matters such as the slot allocation procedures in congested airports.
- The General Law of Communication Means: this was the prior governing law of air transport before the Civil Aviation and the Airports Law were issued. It covers those aspects not included in the Civil Aviation Law.
- The National Security Law, which regulates the interaction of air transport in national security matters.
- The Federal Rights Law, which establishes the amounts to be paid for each administrative procedure filed before the Ministry of Communication and Transport.
- The Federal Law of Administrative Procedure, which regulates the interaction between users and the aeronautical authority.
- The Federal Law of Metrology and Standardisation: this law provides the general legal framework from which Mexican Official Standards derive.

In addition, there are specific Regulations which are also applicable:

- The Technical Aeronautical Schools Regulations, which regulate aviation schools.
- The Civil Aircraft Operations Regulations, which deal with specific matters applicable to sundry air transport services.
- The Aeronautical Workshops Regulations, which apply to all activities, creation, certification and activities of the aeronautical workshops – including maintenance, repair and overhaul (MRO).
- The Mexican Aeronautical Registry Regulations, which
 organise and regulate the activities of the Mexican
 Aeronautical Registry, as well as setting forth the faculties of
 the Director thereof.

- The Transport Medicine Service Regulations, which deal with the medical examination of aeronautical personnel.
- The Ministry of Communications and Transport Interior Regulations, which set forth the faculties and general activities of the General Bureau of Civil Aeronautics (*Dirección General de Aeronáutica Civil* – DGAC).
- The Search, Rescue and Accident Investigation Regulations, which deal with all steps of the procedure to be performed upon the occurrence of an air transport accident.

Various other regulations also apply to civil aviation, such as the Mexican Official Standards and the circulars issued and enforced by the Aviation Authority.

The principal regulatory body is the Ministry of Communication and Transport, through a dependent organism of the Undersecretary of Transport: the DGAC; in addition, certain general regulatory faculties fall within the legal scope of other administrative bodies dependent on the Undersecretary of Transport through different agencies: the Mexican Airspace Navigation Services (Servicios a la Navegación en el Espacio Aéreo Mexicano – SENEAM) with respect to air navigation; the Airports and Auxiliary Services (Aeropuertos y Servicios Auxiliares – ASA) with regard to jet fuel; and specific airports which are dependent on these services. As a corollary, the Federal Antitrust and Competence Commission has general faculties – not specific to aviation – to regulate competence in given markets, including that of civil aviation.

1.2 What are the steps which air carriers need to take in order to obtain an operating licence?

There are various categories of air transport service. In general terms, for a carrier to obtain the necessary authorisations to operate into and out of Mexico, evidence of compliance with four capacities must be filed before the authority. Such capacities are: (i) legal capacity, in order to evidence the legal existence and full capacity of the carrier; (ii) administrative capacity, which refers to the capacity of the carrier to have the necessary administrative resources to render the desired service; (iii) technical capacity, to evidence the technical, safety, operational and performance elements which will allow the safe and uninterrupted rendering of a service; and (iv) financial capacity, which is almost self-explanatory and is used to assert the financial viability of the service to be rendered.

1.3 What are the principal pieces of legislation in your jurisdiction which govern air safety, and who administers air safety?

Air safety in Mexico is administered and enforced by the DGAC. Within the DGAC, a specific Deputy Directorate General for

Air Safety and Security (DGASA) oversees this matter. This administrative body regulates and governs the revision faculties and enforces air safety and security provisions; in addition, the DGASA is the entity responsible for supervising Airport Commanders who, amongst others, are in charge of performing the daily and routine checks for air safety and security. All safety and security activities are governed by the Civil Aviation Law, the Regulations to the Civil Aviation Law, the Technical Air Personnel Licensing Law and sundry Mexican Official Standards.

1.4 Is air safety regulated separately for commercial, cargo and private carriers?

Air safety and security in Mexico is enforced through the same legislative bodies for commercial, cargo and private carriers. Notwithstanding the foregoing, the Civil Aviation law sets forth a specific set of rules regarding air charter operation, particularly in the exercise of available air traffic rights.

1.5 Are air charters regulated separately for commercial, cargo and private carriers?

Air charters receive specific treatment under the Civil Aviation Law. This has no bearing on air safety and security, nor on compliance with operational standards when flying into and out of Mexico. Notwithstanding, there are differences in the services which can be performed with charter operations, the type of traffic rights available to be exercised and certain administrative procedures for requesting authorisation for such operations.

1.6 As regards international air carriers operating in your jurisdiction, are there any particular limitations to be aware of, in particular when compared with 'domestic' or local operators? By way of example only, restrictions and taxes which apply to international but not domestic carriers.

No major differences between domestic and foreign carriers may be observed in Mexico. The main difference to be highlighted on the operational side is that no foreign carrier – whether private, scheduled, non-scheduled or from general aviation – is allowed to perform cabotage operations, in either of their varieties: stand-alone or continuous cabotage.

A consequence of this is that there is a limitation on the percentage of the capital stock of an air transport company in which foreign entities – whether individuals or companies – can participate. The limit is 25% in domestic air transport, air taxi transport, and specialised air transport. In addition, there is a limit of 49% for a foreign company to participate in a concession or permit for airfields. This limit can be exceeded upon authorisation from the Ministry of Economy with the prior approval of the Ministry of Communication and Transport.

1.7 Are airports state or privately owned?

Mexico has 76 airports, not taking into consideration non-controlled airstrips. After a reform in the 1990s, four major airport groups were created: *Grupo Aeroportuario del Pacífico* (GAP), *Grupo Aeroportuario Centro Norte* (holder of OMA – *Operadora Mexicana de Aeropuertos*), *Aeropuertos del Sureste* (ASUR) and *Grupo Aeroportuario de la Ciudad de México* (GACM – the current holding company of Mexico's City New Airport, NAICM – *Nuevo Aeropuerto Internacional de la Ciudad de México*). Such groups

comprise private investment groups, public investment achieved through IPO processes and, in some cases, they can also be operated through public-private partnerships. Additionally, a large number of airports are owned by state governments.

As a global consideration, all airports in Mexico are constructed, maintained, operated and administered through a concession title granted by the Ministry of Communication and Transport.

1.8 Do the airports impose requirements on carriers flying to and from the airports in your jurisdiction?

Disregarding operational requirements, such as fees for the utilisation of airport facilities, there are no specific requirements imposed by airports, other than those set forth in the Civil Aviation Law, the Airports Law and the regulations thereto.

It should be noted that there are certain limitations for congested airports. In Mexico, only Mexico City International Airport has been declared as a congested airport. Among the limitations, it is important to emphasise that the most important of these refer to slot use, allocation and, in the case of Mexico City, limitations also apply to the use of the airport's terminal infrastructure capacity.

1.9 What legislative and/or regulatory regime applies to air accidents? For example, are there any particular rules, regulations, systems and procedures in place which need to be adhered to?

The DGAC has a specific Directorate for investigation, follow-up and ruling on air accidents. Each investigation deriving from an air accident will follow the protocol set forth by the Directorate of Accidents. There are other federal and state agencies which can assist in the investigation, such as the Republic Attorney General (*Procuraduría General de la República* – PGR), state-level attorney generals' offices and civil protection agencies. All accident investigations, search and rescue activities must be performed in accordance with the Search, Rescue and Accident Investigation Regulations.

1.10 Have there been any recent cases of note or other notable developments in your jurisdiction involving air operators and/or airports?

Several developments have taken place in the aviation sector very recently. It is worth mentioning the initiatives deriving from the authorisation for the construction of the new airport for Mexico City. With regard to the bilateral structure of air transport, Mexico entered into negotiations with the government of the United States of America, from which a new bilateral air services agreement resulted. The new bilateral agreement was steered towards liberalising certain rights and encouraging each of the parties to open new commercial opportunities for air carriers. In addition to the air service agreement with the United States, Mexico updated or renegotiated agreements with: Belize; Canada; Colombia; Kuwait; the Philippines; Qatar; Saudi Arabia; the United Arab Emirates; and the United Kingdom. Furthermore, the Civil Aviation Law underwent a major amendment to incorporate the safety management system standards in regard to air safety.

2 Aircraft Trading, Finance and Leasing

2.1 Does registration of ownership in the aircraft register constitute proof of ownership?

Registration of ownership in Mexico constitutes a declaration of

the ownership of an aircraft – this includes ownership of any given component thereto such as the engines, to the extent it is attached to the aircraft. Registration in Mexico also has the effects set forth by the Chicago Convention 1944. Registration is declaratory and has no constitutive effects. It is used to publicise and have *erga omnes* effects over the ownership.

2.2 Is there a register of aircraft mortgages and charges? Broadly speaking, what are the rules around the operation of this register?

The Mexican Aeronautic Registry (Registro Aeronáutico Mexicano – RAM) is organised in Register Sections. Amongst such Register Sections, mortgages and liens in general can be annotated. Registration in the RAM can be performed by the Aviation Authority upon the request of a party evidencing a legal right and interest in doing so, or through judicial mandate.

2.3 Are there any particular regulatory requirements which a lessor or a financier needs to be aware of as regards aircraft operation?

There are no specific regulatory requirements to be met. Upon execution of a purchase, sale, or sale and leaseback agreement, such agreement must be duly translated into the Spanish language, ratified before a Notary Public and registered before the Mexican Aeronautical Registry.

2.4 As a matter of local law, is there any concept of title annexation, whereby ownership or security interests in a single engine are at risk of automatic transfer or other prejudice when installed 'on-wing' on an aircraft owned by another party? If so, what are the conditions to such title annexation and can owners and financiers of engines take pre-emptive steps to mitigate the risks?

Under local law, there is no concept of title annexation.

2.5 What (if any) are the tax implications in your jurisdiction for aircraft trading as regards a) value-added tax (VAT) and/or goods and services tax (GST), and b) documentary taxes such as stamp duty; and (to the extent applicable) do exemptions exist as regards non-domestic purchasers and sellers of aircraft and/or particular aircraft types or operations?

Aircraft trading in Mexico is subject to Value Added Tax; depending on the transaction, Income Tax may also be applicable.

2.6 Is your jurisdiction a signatory to the main international Conventions (Montreal, Geneva and Cape Town)?

Mexico is a signatory to the following:

- Convention on International Civil Aviation (also known as the Chicago Convention).
- Convention for the Unification of Certain Rules for International Carriage by Air (also known as the Montreal Convention 1999).
- 3. Convention on the International Recognition of Rights in Aircraft (also known as the Geneva Convention).
- Convention for the Unification of Certain Rules relating to International Carriage by Air (commonly referred to as the Warsaw Convention 1929).

- Convention on Offences and Certain other Acts Committed on Board Aircraft (referred to as the Tokyo Convention 1963).
- 6. Convention on International Interests in Mobile Equipment and its protocol regarding aviation equipment (known as the Cape Town Convention).

2.7 How are the Conventions applied in your jurisdiction?

The Mexican Constitution sets forth the hierarchy of laws, and thus the applicability thereof. International treaties – used in a broad sense without distinguishing between treaties and conventions, nor entering into the discussion of those treaties related to human rights – are immediately below the Constitution and above federal laws. Thereafter, applicability of the conventions should be pre-emptive to the provision of federal laws, and in the event of a conflict, the latter should be adjusted in accordance to the conventions.

3 Litigation and Dispute Resolution

3.1 What rights of detention are available in relation to aircraft and unpaid debts?

Article 1168 of the Commercial Code sets forth injunctive relief provisions, including for the detention of any type of property or goods. This injunctive relief measure is granted by the judge in the absence of the defendant upon the filing of the lawsuit in the case that the requirements established in article 1175 are duly complied with. Evidence must be filed before the court that a liquidated debt exists and that there is a founded suspicion that the property can be subtracted to avoid the payment of the debt. Finally, the potential damages that may be caused by the measure must be warranted.

3.2 Is there a regime of self-help available to a lessor or a financier of an aircraft if it needs to reacquire possession of the aircraft or enforce any of its rights under the lease/finance agreement?

There is no regime of "self-help" available in Mexico. It is important to note that Mexico adopted Option B of the Declarations to the Cape Town Convention.

3.3 Which courts are appropriate for aviation disputes? Does this depend on the value of the dispute? For example, is there a distinction in your jurisdiction regarding the courts in which civil and criminal cases are brought?

The Federal Courts are competent in aviation disputes as stated by the Civil Aviation Law. In the case that the dispute is commercial, the value of the dispute may determine which court is competent. Finally, different courts rule on civil and criminal cases.

3.4 What service requirements apply for the service of court proceedings, and do these differ for domestic airlines/parties and non-domestic airlines/parties?

The service of process by Mexican courts is always specific to the address of the defendant and is carried out by judicial clerks exclusively. There are no differences concerning the domestic or foreign nature of an airline for the purposes of service of process. In any case, if a foreign airline does not have the permanent address of a legal representative in Mexico, the notification would have to be carried out by diplomatic means.

3.5 What types of remedy are available from the courts or arbitral tribunals in your jurisdiction, both on i) an interim basis, and ii) a final basis?

A ruling that has been rendered by a first instance court may be appealed and subsequently a direct *amparo* lawsuit may be filed against the appeal ruling. Arbitral awards are final, as recognised by the Commercial Code. Consequently, they can only be nullified based on very specific causes of action set forth in article 1457 of the Commercial Code.

3.6 Are there any rights of appeal to the courts from the decision of a court or arbitral tribunal and, if so, in what circumstances do these rights arise?

Yes; in general terms, any party in a litigation may appeal the first instance ruling. That would not be the case in an arbitration, since the awards granted by an arbitration panel are final and can only be nullified for the reasons established in article 1457 of the Commercial Code.

4 Commercial and Regulatory

4.1 How does your jurisdiction approach and regulate joint ventures between airline competitors?

There are no specific provisions regulating joint ventures. Civil and commercial general legislation may be applicable to a joint venture. Notwithstanding the foregoing, the validity of a joint venture between competing airlines is subject to authorisation from both the Ministry of Communications and Transport and the Federal Competition Authority.

4.2 How do the competition authorities in your jurisdiction determine the 'relevant market' for the purposes of mergers and acquisitions?

On a general basis, and disregarding the specifics of a given case – i.e. the filing of prior authorisation for a concentration – the "relevant market" for an airline concentration (the Federal Competition Law does not use the term "joint venture") would be analysed under: (i) the possibility of replacing the good or service on which the concentration would have a direct effect; (ii) the distribution costs of the specific service and financial thresholds thereto; (iii) the viability of the market access of other competitors; and (iv) the opinion of the sectorial authorities governing the good or service over which the concentration would have a major impact.

Additionally, for a joint venture to go into the review and consequently be subject to the authorisation of the Federal Commission of Economic Competence (COFECE – the Mexican authority on antitrust and competition matters), it needs to exceed certain limits set forth by the Federal Competition Law (FCL). A joint venture will require COFECE clearance when: (i) it implies a concentration equal to or above 18,000,000 (eighteen million) times the daily minimum wage valid in Mexico City (DMWVFD – a reference value determined by the Minimum Wage Commission which can be consulted on their website or in the Daily Official Gazette of the Federation); (ii) it implies the accumulation of 35% or more of the shares or assets of an economic agent – as defined

by the COFECE – whose annual sales in the territory of Mexico exceed 18,000,000 (eighteen million) times the DMWVFD; and (iii) the transaction implies the accumulation of assets or corporate capital exceeding 8,400,000 (eight million four hundred thousand) times the DMWVFD and the annual sales of the economic agents involved, jointly or separately, exceed 48,000,000 (forty-eight million) times the DMWVFD.

4.3 Does your jurisdiction have a notification system whereby parties to an agreement can obtain regulatory clearance/anti-trust immunity from regulatory agencies?

Yes, the procedure needs to undergo a parallel and simultaneous review. Such review is performed by internal areas of the DGAC and the COFECE. The DGAC review is governed by the Federal Administrative Procedure Law (*Ley Federal del Procedimiento Administrativo*). Revision by the COFECE is regulated by the Federal Competition Law (*Ley Federal de Competencia*).

4.4 How does your jurisdiction approach mergers, acquisition mergers and full-function joint ventures?

If a transaction of the sort described in the above questions is to be carried out, two types of requirements should be met: antitrust and corporate. As regards antitrust requirements, in the case that the operation is significant in terms of volume of operations, income or consideration involved, a formal notice must be filed before the COFECE which is the Mexican authority on antitrust and competition matters. On the corporate side, certain corporate acts must be executed in order for the merger, for example, to be valid: a merger agreement; shareholders' meetings; and registration with the Public Registry. Finally, it is worth noting that in the case that the parties involved in a merger hold permits or concessions granted by the Mexican authorities, then prior to the execution of the merger the authorisation of those authorities may be needed in order to prevent forfeiture of the rights concerning the permits or concessions.

4.5 Please provide details of the procedure, including time frames for clearance and any costs of notifications.

If certain thresholds are met, the merger or full-function joint venture would be subject to the COFECE's approval, which would analyse whether the operation will have negative economic effects on the relevant market. If so, this authority may reject the operation or establish certain conditions that the parties must comply with in order for the operation to materialise. On the contrary, if the analysis leads the authority to consider that no harm would be caused to the relevant market, the authorisation would be issued and the parties would be free to formally execute all the corporate documents needed for such purposes. The COFECE has 60 days to issue its ruling once the notice has been filed or the additional information requests made by the authority have been complied with by the interested parties. The parties must pay a fee of around US\$8,000 for the COFECE to analyse the concentration notification.

Regarding corporate acts, the parties in the merger must first execute a merger agreement where they set forth the terms and conditions in which the merger would be carried out. Subsequently, a shareholders' meeting should be held by each party involved to approve the merger on the agreed terms, along with the financial statements that will be used for the merger. Finally, the parties must register the corporate resolutions before the Public Registry, considering that the merger will be effective only after three

months of its registration. In the case that all the debts owed by the parties are covered at the time of the registration, the merger will have full effect without a need for the aforementioned waiting period. The estimated cost of the entire corporate process, including notary expenses and registration fees, would be around US\$4,500, depending on the characteristics of the operation.

4.6 Are there any sector-specific rules which govern the aviation sector in relation to financial support for air operators and airports, including (without limitation) state aid?

There are no specific rules regarding the aviation sector.

4.7 Are state subsidies available in respect of particular routes? What criteria apply to obtaining these subsidies?

No state subsidies are available; nor are these permitted by law.

4.8 What are the main regulatory instruments governing the acquisition, retention and use of passenger data, and what rights do passengers have in respect of their data which is held by airlines?

Passenger acquisition, maintenance and handling is governed and regulated by the Federal Personal Data Protection Law (*Ley Federal de Protección de Datos en Posesión de Particulares*). Passengers have a right, and carriers a corresponding obligation, to determine how their personal information is to be treated. With a detailed scope, passengers can determine how their information is maintained and for what purposes it is authorised to be used, and may limit the transfer of such information or request its deletion or destruction.

4.9 In the event of a data loss by a carrier, what obligations are there on the airline which has lost the data and are there any applicable sanctions?

Passenger data must be treated in accordance with the Federal Law of Personal Data Protection. It is important to emphasise that compliance with the law is mandatory for the acquisition, maintenance, use, distribution and destruction of data. Data loss is pursued and sanctioned in accordance with this law and the sanction will vary depending on the specific violation.

4.10 What are the mechanisms available for the protection of intellectual property (e.g. trademarks) and other assets and data of a proprietary nature?

Industrial property – used as a general term – and intellectual property – broadly used – are protected by the Mexican Institute of Industrial Property (IMPI) and the Mexican Institute for Authorial Rights (INDAUTOR). IMPI protects trademarks, patents, trade secrets, industrial designs, trade names and any right related to industrial property. IMPI is the competent authority to file, pursue and solve any claim related thereto. INDAUTOR mainly deals with intellectual creations requiring copyright.

4.11 Is there any legislation governing the denial of boarding rights?

Yes, the Civil Aviation Law and the Regulations to the Civil Aviation Law directly regulate passenger rights, including denial of

boarding. As a complement, the Federal Consumer Protection Law is applicable, as the relationship between an airline and a passenger is considered a commercial consumer affair.

4.12 What powers do the relevant authorities have in relation to the late arrival and departure of flights?

The Civil Aviation Law and its regulations provide specific enforcing faculties for an air carrier to properly use and adhere to its arrival/departure schedules. Should a violation be detected and enforcement pursued, this would be done through the enactment of an administrative sanctioning procedure, performed and enforced by the DGAC. Parallel to the procedure which can be started by the DGAC, the Consumer Protection Agency (*Procuraduria Federal del Consumidor* – PROFECO) has legal authority to initiate a procedure on violations of the Federal Consumer Protection Law due to late arrivals and departures under the parameters set forth by the Civil Aviation Law.

4.13 Are the airport authorities governed by particular legislation? If so, what obligations, broadly speaking, are imposed on the airport authorities?

Airport and airport authorities are governed by the Civil Aviation Law and the Airports Law and its regulations.

4.14 To what extent does general consumer protection legislation apply to the relationship between the airport operator and the passenger?

The relationship between an airport operator and a passenger would fall into the scope of the Consumer Protection Law (LFPC) so long as the passenger is considered a user of the services of the airport. In spite of this, an airline would be jointly liable as the relationship between a passenger and an airport is created because of the passenger using an airline.

4.15 What global distribution suppliers (GDSs) operate in your jurisdiction?

The major computer reservation systems (CRSs), fixed-based operators (FBOs), ground handling and ancillary GDS service providers operate in Mexico.

4.16 Are there any ownership requirements pertaining to GDSs operating in your jurisdiction?

GDSs, as long as they do not fall into the "investment – limited activity" areas of the Foreign Investment Law, have no specific regulations. Their relationship is considered commercially and general laws are thus applicable.

4.17 Is vertical integration permitted between air operators and airports (and, if so, under what conditions)?

No vertical integration is permitted. Additionally, there is a direct prohibition against air service operating companies, their holdings or subsidiaries, owning or acquiring, directly or indirectly, the control of airports or airfields. In this regard, there is also a maximum allowed threshold of 5% of the stock capital of an airport concessionaire or permit-holder to own, hold or acquire stock capital in an air transport company.

5 In Future

5.1 In your opinion, which pending legislative or regulatory changes (if any), or potential developments affecting the aviation industry more generally in your jurisdiction, are likely to feature or be worthy of attention in the next two years or so?

The year 2017 witnessed the enactment of several amendments to the Civil Aviation Law and the Consumer Protection Law. Said amendments are aimed at dealing with sundry matters pertaining to passenger rights. The enactment of the aforementioned amendments created a legal regime that will give rise to intense discussions and legal procedures which, viewed on a stand-alone basis, could have a serious impact on the policies, operational models and revenue currently held by international carriers. As the situation evolves and the two relevant authorities — the Civil Aviation Authority on one side, and the Consumer Protection Agency on the other — determine their respective interpretation and application of the law, development during the first half of 2018 will be crucial for giving air transport companies a clear indication as to what can be expected from the application of the law.



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Alejandro Zendejas Vázquez holds a Master's degree in advanced studies of International Air and Space Law from Universiteit Leiden, the Netherlands. He was admitted to practise law in 2001 and holds a B.A.-equivalent degree from Universidad Iberoamericana, Mexico City. His professional experience in the private sector has been focused primarily in the aviation industry. He worked for Interjet Airlines as a junior in-house attorney; later to be appointed Legal VP in Grupo Hawk Mexico, a private air transport company. Mr. Zendejas was later appointed as General Counsel for Vivaaerobus. In the public sector, Mr. Zendejas served as General Deputy Technical Director and General Counsel in the Civil Aviation Authority of Mexico (DGAC); he continued his public service career thereafter, being appointed as General Deputy Director for Air Transport and Aeronautical Control at the DGAC, where he was able to execute sundry bilateral air services agreements - amongst others, the Mexico-USA agreement - and key amendments to the Civil Aviation Law in relation to air safety and security, as well as the foreign investment law regarding the maximum allowable percentage of foreign investment capital. As of February 2016, Mr. Zendejas has been in private practice with Cervantes Sainz, S.C.

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