

RUSSIAN AVIATION UPDATE

State Authorities Regulating the Aviation Sector

December 15, 2004

To Our Clients and Friends:

Recent changes to the structure of executive bodies in Russia were implemented as part of an administrative reform package to cut administrative costs, provide a more streamlined, efficient working environment and present more user-friendly government services. While on paper these changes appear to represent a more manageable distribution of powers and a step towards better government, it is too early yet to say what real effect this will have for business. This update singles out the most important changes affecting the aviation sector.

I. GENERAL OVERVIEW

On March 9, 2004, the President issued Decree No. 314 On the System and Structure of Federal Executive Bodies (the "Decree") significantly changing the structure of federal executive bodies in Russia. The Decree establishes three types of federal executive bodies – ministry, service and agency. The Decree defines and segregates the functions of these bodies. In general, ministries are put in charge of legal regulation of a specific sphere, while control, monitoring and supervision is delegated to federal services. Federal agencies are responsible for management of state property and enforcement. Federal services and agencies in most cases report to their respective ministries, which may revoke their decisions if inconsistent with legislation. Federal services and agencies are also entitled to issue individual legal acts within their respective competence.

II. CHANGES TO REGULATORY BODIES IN THE AVIATION SECTOR

A. Air Transport

State regulation of air transport is within the competence of three new bodies:

1. Ministry of Transport;
2. Federal Service for Transport Supervision; and
3. Federal Air Transport Agency.

The *Ministry of Transport* forms state policy and drafts legislation and normative acts in the sphere of air transport. It is also empowered to adopt a limited number of normative acts, such as rules of state registration of civil aircraft. The ministry is responsible for the following matters: structural reform in the transport sphere; development of air transport (civil aviation); international cooperation; budget financing; expert appraisals; forecasting; and security issues in the transport sector. The ministry's head is Igor Y. Levitin. A brief biography of Mr. Levitin is in Annex A to this update.

The *Federal Service for Transport Supervision* ("FSNT") reports to the Ministry of Transport. It is responsible for control and supervision in the sphere of air transport. Its primary control and supervision functions with respect to air transport include compliance with legislation, licensing, certification, registration and accident investigation.

The FSNT licenses almost all types of activity in the aviation sector, including technical service and maintenance of aircraft. It is also responsible for certification issues, including certification of operators and organizations for technical service and maintenance of aircraft. The FSNT issues licenses, certificates and other permits in its respective competence. Among the main powers of the FSNT are state registration of civil aircraft and organization and conduct of flight suitability checks of civil aircraft. The head of FSNT is Alexander V. Neradko. His biography is attached as Annex B.

It should be noted that type certification of aircraft is within the competence of the *Interstate Aviation Committee* (“IAC”). The IAC was formed on the basis of the intergovernmental Agreement on Civil Aviation and Air Space Use, signed on December 30, 1991. The IAC is an executive body of 12 former USSR republics (all but the Baltics) for certain functions in civil aviation. The IAC is a supranational body and is not formally subordinated to any Russian authority. The chair of IAC is Tatyana G. Anodina, Annex C contains her short biography.

The *Federal Air Transport Agency* (also known by its Russian acronym FAVT) reports to the Ministry of Transport. Its primary functions include implementation of federal programs, operation modernization of the civil Integrated Air Traffic System, organizing international and internal flights, and keeping registers and cadastres. The head of FAVT is Nikolai V. Shipil; his biography is attached as Annex D.

The other state executive body that regulates activity in the aviation sector is the Ministry of Industry and Energy. Among its general functions is the creation of state policy and drafting of legislation and normative acts with regard to the development of aircraft technology. Annex E contains a short biography of the head of this ministry, Victor B. Khristenko. The aviation issues at the ministry are covered by the Division of Aviation and Maritime Activities at the Department of Defense and Industrial Complex. The head of this division is Vladimir I. Babkin (his biography is attached as Annex F).

B. Taxes and Customs

The other key governmental functions affecting aviation are taxes and customs.

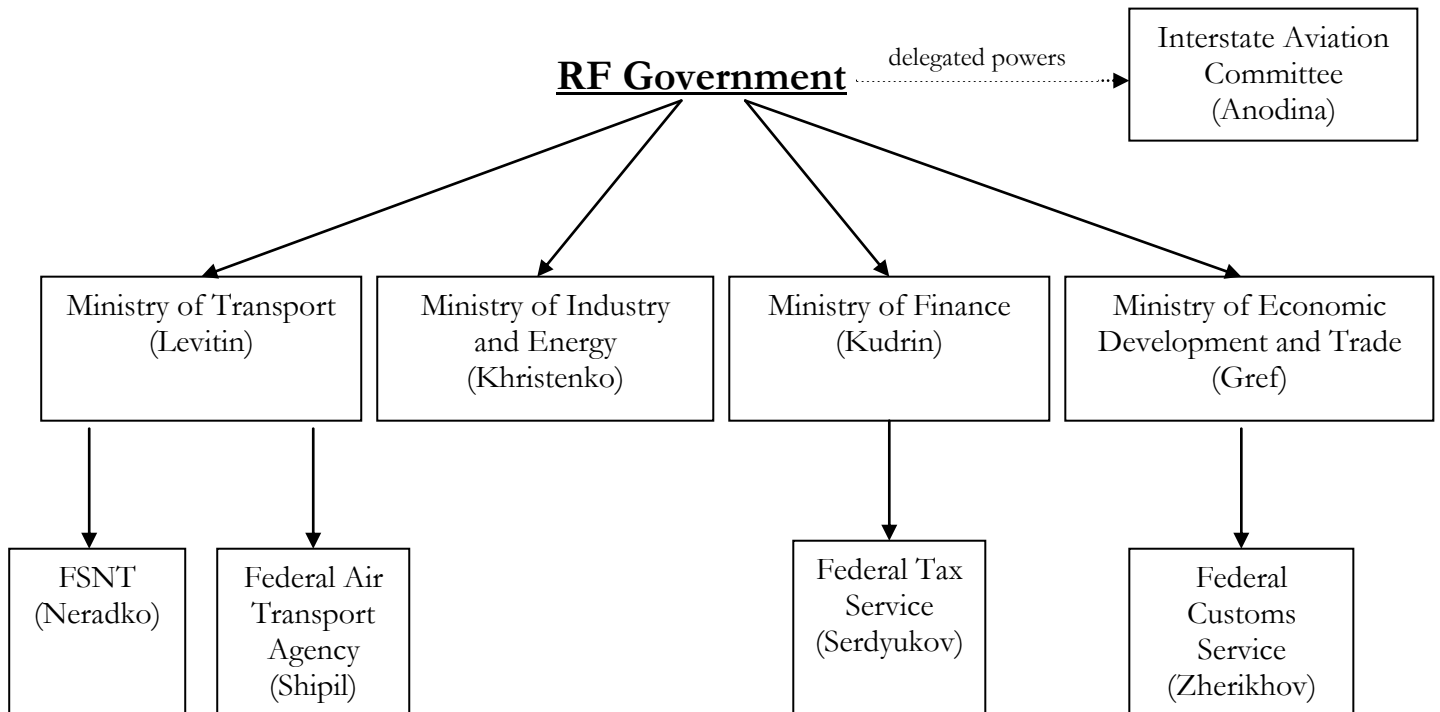
On the ministerial level, the Ministry of Finance forms state policy and drafts legislation on taxation, currency transactions and customs payments. Alexey L. Kudrin heads the Ministry of Finance; Annex G contains his short biography. Within the Ministry of Finance, Department for Tax and Custom Policy is headed by Mikhail A. Motorin. His biography is attached as Annex H.

The main supervisory body in the area of taxes and levies is the Federal Tax Service, which reports to the Ministry of Finance. The competence of the Federal Tax Service includes control and supervision of tax compliance, as well as of compliance with certain aspects of Russian currency legislation. The head of the service is Anatoly E. Serdyukov. His biography is attached as Annex I.

General customs control issues are within competence of the Ministry of Economic Development and Trade, which is headed by German O. Gref (his biography is briefly described in Annex J). The ministry forms state policy and drafts legislation on foreign economic activity, customs issues and trade. The Ministry of Economic Development and Trade is entitled to adopt certain normative acts in its respective area defining, *inter alia*: procedures for control of the customs value of goods and carriers (together with the Ministry of Finance); lists of documents and information to be lodged for customs clearance under various specified customs procedures and customs regimes; as well as deadlines for the submission of such documents and information.

The Federal Customs Service is responsible for customs control and supervision. The service collects customs duties, taxes and customs levies, oversees the accuracy of its calculation and timeliness of its payment, and performs customs clearance and customs control. The Federal Customs Service reports to the Ministry of Economic Development and Trade and is headed by Alexander Y. Zherikhov (his biography is attached as Annex K).

The following chart describes the organizational structure of executive bodies mentioned in this update.



If you have any questions on this issue or any other aspect of aviation transactions in Russia, please do not hesitate to contact us.

Geoffrey P. Burgess

+44 20 7786 9075
gburgess@debevoise.com

Alan V. Kartashkin

+7 503 956 3858
avkartashkin@debevoise.com

Dmitry K. Gladkov

+7 503 956 3858
dkgladkov@debevoise.com

Igor Yevgenievich LEVITIN
Minister of Transport, RF

Born 1952.

Graduated in 1973 from the Leningrad College of Military Railway Corps and Military Transport. In 1983 completed the Military Academy for Logistics and Transport, major in railway engineering.

1973-1976 served in the Odessa military district on the TransdnestrRailway, served in the Southern Forces Group from 1976 to 1980.

1983-1985 undertook the duties of railway traffic officer at Urgal station on the Baikal-Amur Railroad, took part in the final “Golden Link” of the railroad.

1985-1994 worked on the Moscow Railroad first as railway traffic officer and then as Deputy Head of Military Communications.

1996-2004 worked for ZAO Severstaltrans, from 1998 as Deputy General Director. Oversaw engine building, rail freight and sea ports.

Was a member of the Advisory Council of the Government Commission for the Reform of Rail Transport.

By Decree of the President of Russia No. 643 dated May 20, 2004 appointed Minister of Transport, RF.

Alexander Vasilievich NERADKO
Head of the FSNT

Born 1961.

Graduated in 1984 from the Moscow Institute of Civil Aviation Engineering (now the Moscow State Technical University of Civil Aviation). Various engineering and management positions in the field of civil aviation followed, as well as in the State Commission for Supervision of Aircraft Flight Safety, Intergovernmental Aviation Committee, and in federal aviation agencies.

From 1997 Head of the State Supervisory Board for Flight Safety of the Russian Federal Aviation Service (Federal Service for Air Transport). Member of industry collegium. Specialized in aircraft flight and technical operations systems and flight safety. Directed the development of an integrated system for flight safety control. In implementing a policy of more rigorous standards and accountability, has contributed greatly to improvement in recent flight safety statistics in scheduled civil aviation operations. Maintains business contacts with manufacturers of aviation equipment, design engineering bureaus, Rosaviakosmos, the air force, ICAO. As a highly-qualified expert and manager was active in helping prepare and adopt a number of government resolutions and statutes as well as industry papers on improvements in civil aviation flight safety in Russia.

August 2000 to March 2004 – First Deputy Minister for Transport, RF, Head of the State Civil Aviation Service, Chairman of the State Civil Aviation Service of the Ministry of Transport of Russia.

By Order of the Government of Russia No. 368 R dated March 16, 2004 appointed Head of the Federal Service for Transport Supervision.

Tatyana ANODINA

Chairperson of the Interstate Aviation Committee

Born in Leningrad, the daughter of a military pilot.

After graduating from the Lvov Polytechnical Institute, Tatyana Anodina worked in several positions, from engineer to General Director of a leading aviation research institute.

Received the Edward Warner Award in **1977** – the highest honor of the International Civil Aviation Organization.

Doctor of Engineering, Professor and Academician.

1991 appointed Chairperson of the Interstate Aviation Committee, the body that controls all C.I.S. airspace.

Nikolai Vladimirovich SHIPIL
Head of Federal Air Transport Agency

Born 1955.

Graduated in 1975 from the Leningrad Technical College of Civil Aviation and in 1980 from the Leningrad Finance and Economics Institute. Completed advanced education training for management at the Civil Aviation Academy in 1984, was a graduate student there, and in 1991 graduated from the Russian Government's Academy of the National Economy. From 1985 to 1989 was Aeroflot's general representative in Switzerland.

From December 1989 to April 2000 held various management positions at Pulkovo Airlines, including Deputy Head of International Routes and Deputy Head of Airline Performance. From April 2000 to March 2004 was head of the state transport company Rossiya.

Awarded the Expert Air Transport medal and the title Honored Transport Worker of the Russian Federation.

By Order of the Government of Russia No. 376 R dated March 18, 2004 Nikolai Shipil was appointed Head of the Federal Air Transport Agency.

Viktor Borisovich KHRISTENKO
Minister for Industry and Energy, RF

Born 1957.

Graduated in 1979 from the Chelyabinsk Polytechnical Institute, major in Economics and Organization of Construction, and in 1995 from the Russian Government's Academy of the National Economy

Ph.D. in Economics, author of a number of scientific papers.

Elected in 1990 to the Chelyabinsk City Council.

1991-1996 Deputy Governor of Chelyabinsk Region.

In 1997 appointed Presidential Representative to the Chelyabinsk Region

From 1997 to 1998 Deputy Minister of Finance, RF

In 1998 appointed Deputy Prime Minister of Russia

From 1998 to 1999 First Deputy Minister of Finance

From May 1999 First Deputy Prime Minister of Russia

From January 10, 2000 Deputy Prime Minister of Russia

From February 24 to March 5, 2004 Acting Prime Minister of Russia

On March 9, 2004 appointed Minister for Industry and Energy, RF

Vladimir Ivanovich BABKIN

Head of Division of Aviation and Maritime Activities, Ministry of Trade and Economic Development

Born 1947.

1971 graduated from the Moscow Institute of Engineering and Physics in Experimental Nuclear Physics.

Worked in the Lebedev Institute of Physics of the USSR Academy of Sciences (now the Russian Academy of Sciences) as an engineer, junior researcher, researcher.

1994 began work at the State Duma as a Deputy's assistant.

January 1996 started working as assistant to State Duma Deputy Z. Alferov in the Science and Education Committee.

Currently Head of the Division of Aviation and Maritime Activities.

In the course of his work on drafts of bills on science matters Babkin has published more than 30 articles on legal issues relating to developments in Russian science.

Alexey Leonidovich KUDRIN
Minister of Finance, RF

Born 1960.

Ph.D. in Economics.

Before enrolling at Leningrad University worked in the Academy of Logistics and Transport of the USSR Ministry of Defense in Leningrad as an automotive mechanic and tutor in the engine laboratory.

In December 1985 enrolled in postgraduate studies at the USSR Academy of Sciences Institute of Economics.

From October 1990 Deputy Chairman of the Committee for Economic Reform of the Leningrad City Council.

From November 1991 to 1992 Deputy Chairman of the Committee for Economic Development

From August 1992 to 1993 Chairman of the Chief Finance Directorate of the St. Petersburg Mayor's Office (later amended to Finance Committee)

From 1993 to June 1996 Deputy, First Deputy Mayor, member of the city government, Chairman of the Committee for Economics and Finance of the St. Petersburg Mayor's Office

In August 1996 by Decree of the President of Russia appointed Deputy Head of the Presidential Executive Office and Chief of the Main Presidential Control Directorate

In March 1997 Alexey Kudrin was appointed First Deputy Minister of Finance of Russia by Presidential Decree

From January 1999 First Deputy Chairman of RAO EES Russia

In June 1999 appointed First Deputy Minister of Finance of Russia

From May 2000 appointed Deputy Prime Minister of Russia and Minister of Finance of Russia by Presidential Decree

From March 2004 appointed Minister of Finance of Russia by Presidential Decree and Chairman of the Collegium of the Ministry of Finance.

Mikhail Albertovich MOTORIN

Director of Department of Tax and Customs Policy, RF Ministry of Finance

Born 1960.

1982 – degree in Trade Economics from the Moscow Cooperative Institute

1982-1986 assistant in Department of Trade Economics, Moscow Cooperative Institute

1986-1989 graduate student, Moscow Cooperative Institute

1989-1994 assistant, senior lecturer, Vice-Dean, Acting Dean, Moscow Cooperative Institute

1994-1997 consultant, head of division, chief of administration of State Duma Committee on the Budget, Taxes, Banks and Finance

12/1997 - 5/2004 Deputy Minister of Finance, Russian Federation

5/2004-present Director of Department of Tax and Customs Policy

1997 awarded the 850th anniversary of Moscow Medal

1999 commendation from the President of Russia

2001 Certificate of Honor of Ministry of Finance

Collegiate Member of Ministry of Finance

Ph.D. in Economics

Anatoly Eduardovich SERDYUKOV
Head of Federal Tax Service

Born 1962.

Graduated in 1984 from the Leningrad Soviet Trade Institute and in 2001 from the St. Petersburg State University. Qualifications: economist, lawyer.

2000-2001 – Deputy Head of St. Petersburg Interdistrict Tax Ministry Inspectorate No. 1 (for major St. Petersburg taxpayers)

Appointed Deputy Head of St. Petersburg Directorate of the Russian Tax Ministry in May 2001 and appointed Head of St. Petersburg Directorate of the Russian Tax Ministry in November 2001.

On March 16, 2004 began his temporary appointment as Acting Minister for Taxes and Levies, RF.

Appointed Deputy Minister for Taxes and Levies, RF on May 2, 2004.

By Order of Russian Prime Minister M.E. Fradkov No. 999 dated July 27, 2004 Anatoly Eduardovich Serdyukov was appointed Head of the Federal Tax Service.

German Oskarovich GREF

Minister for Economic Development and Trade, RF

Born 1964.

1990 graduated from the Law Faculty of Omsk State University, major in Jurisprudence

1990 – Lecturer in the Law Faculty of Omsk State University

1990-1993 – graduate student in the Law Faculty of Leningrad University

1991-1992- Legal Adviser, Economic Development and Property Committee of Petrodvorets District, St. Petersburg

1992-1992 – Head of Petrodvorets District Agency of the St. Petersburg Property Management Committee

1992-1994 – Chairman of Property Management Committee and Deputy Head of Petrodvorets Administration, St. Petersburg

1994-1997 – Deputy Chairman and Director of Department of Immovable Property, First Deputy Chairman of the City Property Management Committee, St. Petersburg

1997-1998 – Deputy Governor and Chairman of the City Property Management Committee, St. Petersburg

1998-1998 – Member of Collegium of the State Property Ministry, RF

1998-2000 – First Deputy Minister for State Property, RF

1999 - Member of Collegium of the Federal Commission for the Securities Market , Head of Center for Strategic Development

2000 – Minister for Economic Development and Trade, RF and Chairman of the Council of the Center for Strategic Development

Alexander Yegorovich ZHERIKHOV
Head of the Federal Customs Service

Born 1950.

Worked in the USSR Ministry of Foreign Affairs.

In March 1991 began employment with the customs authorities, worked as department head, head of customs post, Deputy Head of Moscow Rail Customs, Head of Moscow Road Transport Customs. Later worked as First Deputy Head of the Moscow and later the Central Customs Directorate of the State Customs Committee.

Approved as Member of Collegium of the Russian State Customs Committee in the position of Head of the Central Customs Directorate of the State Customs Committee in March 2002, and in December 2003 appointed Deputy Chairman of the Russian State Customs Committee and Head of the Federal Customs Service in June 2004.

Major General of the Customs Service.