

# Purchase of Foreign Aircraft Will Require Approval by Import Substitution Commission

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**On June 30, 2018, the federal law introducing additional limitations for procurement of foreign aircraft by Russian state-owned companies came into force. These limitations may have significant impact on the Russian aviation market as most of its major participants are controlled by the state.**

**Debevoise  
& Plimpton**

Federal Law No. 496 on Amendments to the Federal Law on Procurement of Goods, Works, Services by Certain Types of Legal Entities dated December 31, 2017 (the “Law”) requires state companies, state corporations, state-owned companies (where the state holds more than 50% stake) and such companies’ subsidiaries (where such companies hold more than 50% stake) (the “Customers”) to seek approval of procurement of certain goods from the Government Import Substitution Commission (the “Import Substitution Commission”).

This procedure supplements the existing public procurement regime.

Procurement of goods enumerated in the special list(s) will require the Customers to obtain approval of the Import Substitution Commission in respect of:

- The possibility of procurement outside Russia
- Operating specifications of the goods procured

Approval is required not only for procurement of goods but also for their lease (including hire and finance lease), as well as procurement of works and services employing such goods. The list of such goods is to be determined by the Russian Government. The list has not been adopted yet.

According to the Explanatory Note to the respective draft law, the list should include procurement of aircraft and aviation services, which lines up with import substitution policy of the state. The implementation of this policy in the aircraft construction sphere is linked to introducing Russian aircraft (SSJ100 as well as expected MC-21 and Russian-Chinese CR929) to the market. Similar measures have been earlier adopted in other

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industries—e.g., since 2016, state and municipal customers have been prohibited from procuring foreign software having analogues originating in Russia or Eurasian Economic Union member states.

The Russian Ministry of Industry and Trade prepared two drafts of the lists but later abandoned them. Both drafts required the approval for procurement of aircraft at a price exceeding RUB 200 million (approximately USD 3 million) per aircraft or with the total price of procurement exceeding RUB 1 billion (approximately USD 15.8 million) for a year. These criteria would therefore apply to almost any type of foreign aircraft currently operated in Russia, including business jets.

The Law authorizes the Russian Government to determine the procedure for approval of procurement. Drafts of these regulations are currently being developed by the Russian Ministry of Industry and Trade.

We will monitor further developments and keep you updated.

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