

Russian Satellite
Communications Company

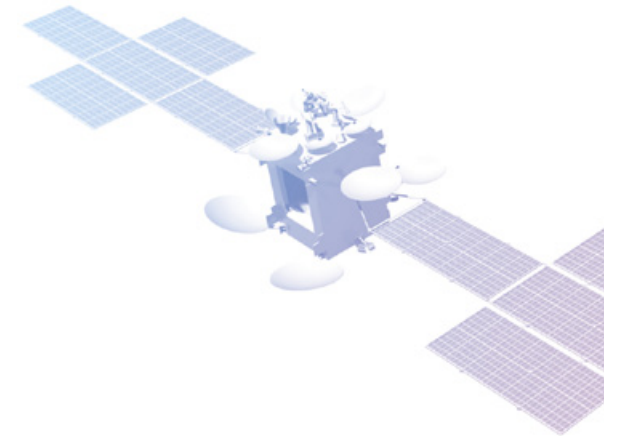
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❖ RSCC collects the best personnel

Andrey Kirillovich has headed the newly created Department of integration services and integrated projects of RSCC. The main activities of the department are development of value-added services and implementation of integrated projects in the field of satellite communications in the international markets.

Andrey Kirillovich has been working in RSCC commercial service in the period of 2000-2007, where was in charge of satellite capacity

sales in foreign markets. In the period of 2007-2012 Mr. Kirillovich has been working as a Sales Director in Russia & CIS in the American company VT. Throughout these years the company iDirect has become one of the leaders in the Russian market of VSAT-equipment and solutions for corporate networks of satellite communications.



❖ Free Internet in Grand Express

MegaFon and Grand Service Express have signed an agreement on providing Wi-Fi Internet access to all passengers of “Grand Express” trains. “Grand Express” trains regularly operate on the route Moscow-St. Petersburg – Moscow and carry more than 13,000 passengers per month. Wagons are individually equipped and provide special service and comfort for passengers, e.g., each room is equipped with a TV, broadcasting movies and terrestrial channels. Now, passengers of luxurious trains can use free Internet access.

The project is based on 3G network of MegaFon. Total network coverage on the route St. Petersburg – Moscow is provided by 250 MegaFon base stations.

“We expect this to be just the beginning of a big campaign of providing high-speed Internet in the Russian trains”, – said Anton Pirogov, the Head of MegaFon intersectional projects.



❖ The Olympic LTE is under discussion

The question of an exclusive right to provide LTE communication services during the Winter Olympic Games –2014 by Rostelecom and MegaFon was postponed to the next meeting of SCRF. Prior to SCRF's consensus meeting the MegaFon representative declared the incapability of MegaFon to deploy a LTE network in Sochi in time.

Rostelecom and MegaFon are General Partners of the XXII Winter Olympic Games 2014 in Sochi. This status costs \$260 million for both: the operators have a sponsorship fee of \$ 65 million each and have obliged to invest the same amount in their services. In return they received exclusive rights to build the communicative infrastructure at Olympic venues. However, the new team of the Ministry of Communications has

indicated that the limitation of operators' participation providing services in LTE networks for Olympic guests is not correct. "Olympics affect the country's image and network coverage quality affects this image as well. Therefore the more operators, the better it will be", – said the Head of the Ministry of Communications Nikolay Nikiforov.

As a result, the question of cancellation of SCFR's decision on "The use of radio spectrum in the period of organization and holding of the XXII Olympic Winter Games and XI Paralympic Winter Games 2014 in Sochi" (16th of March, 2011) regarding frequencies' use for LTE by MegaFon and Rostelecom was raised at the SCFR meeting on 2nd of October 2012. ❖

❖ The Gordian Knot of LTE frequencies

The Big Four went against the initiatives of the renewed Ministry of Communications. Oligopolists, as they were called by FAS last year, got united under the LTE Union organized by their initiative. That was declared in the letter of General Manager of LTE Union Gulnara Khasianova to Deputy Communications Minister Denis Sverdlov.

"The Big Four wants to launch two solutions: the minimum width of the channel for LTE networks of 10 MHz (for 3G – 5 MHz) and a license to build LTE networks at GSM-1800 MHz. The first one, according to the outraged companies, changes the conditions of the won competition

for LTE frequencies in July. The second is premature, as it is not worked out yet. In particular, the Institute of Radio was to conduct a research, but "none of the interested operators – LTE Union members was engaged into this research".

The Big Four administratively tries to block an access to the new technology to competitors who have not won new frequencies and seek to launch 4G on the existing frequencies. The fact, that respectively, the Big Four blocks an access to new iPhone users in Russia, bothers no one except users themselves. ❖

❖ Horizons 2 in a year

In October 2012, the operator of satellite TV Orion Express can start broadcasting from the satellite Intelsat Horizons 2, rented more than 2 years ago. Orion Express could not start that earlier as there was no SCRF's permission.

The question of providing Orion Express with permission to Horizons 2 was raised at the October meeting of the SCRF.

In September 2011, Orion Express has signed an agreement on use of Horizon 2, valued more than \$100 million. Orion Express, currently using RSCC's spacecrafts Intelsat 15 and Express-AM3, planned to start broadcasting with Horizons 2 in the beginning of 2012.

Upon the initiative of Roscosmos, SCRF postponed the question of providing Orion Express permission to use frequencies of Horizons 2: broadcasting with this satellite would interfere Kazakhstan's satellite Kazsat-2, what contradicts international agreements, – say representatives of Roscosmos.

Horizons 2 was in use just for 1 day, on the 4th of March in 2012, the day of the Election of the President of the Russian Federation. That was temporary permitted by the Ministry for Communications. This Election was broadcasted in Internet by Rostelecom that rented additional channels at Horizons 2. ❖

❖ BBA contest in Moscow underground

Moscow authority plan to announce a contest to render services to Moscow underground and building facilities for network communications and mobile Internet. The winner has to provide passengers of Moscow underground with 3G, 4G and Wi-Fi. According to the head of Moscow IT department (DIT) Artyom Ermolaev, the future winner will have to pave cables in the underground tunnels that can support 3G, 4G and Wi-Fi. Plus, the company is to provide non-discriminatory access of other operators to these networks. The contest is planned for this year. Ermolaev estimated the cost of works at “several million rubles”. The data of station-to-station blocks were much worse.

Average number of passengers who use Moscow underground daily is over 7 million passengers, and in weekdays – over 9 million. In February 2012, research and information portal gToday.ru conducted

a research, in which the Big Three almost completely covered the stations of the Moscow Underground link 2G (96-98% depending on the operator). 3G connection of MegaFon worked at 96% of the stations in the underground, MTS – at 39%, and VimpelCom – at 35%. The data of station-to-station blocks were much worse. Vimpelcom provided 2G in the majority of underground tunnels (89%), MTS – 18%, and MegaFon – 16%.

Among the reasons of lack of coverage in the underground, the market players consider the difficulty of coordination of setup and output of broadcasting equipment with the underground authorities. In addition, operators complain on the increase of equipment setup rates.

MTS, Vimpelcom and Megafon declared their interest in the contest, but will decide only after the contest conditions announcement. ❖

❖ 4G pioneer's share

Due to close connection with Scartel (Yota brand), MegaFon can build LTE networks on 30% of the Russian territory by the end of 2012. MegaFon plans to become #1 among the Big Three in 4G segment, "getting an advantage of the pioneer", as was declared in its presentation of bonding (Vedomosti owns a copy). Owing to the agreement with Scartel, the operator plans to provide a new generation connection in 40 cities. At the end of Q3 2012 MegaFon will connect more than 27,9 million people to LTE, and by the end of Q4 – 37.3 million. The implementation of the new technology is going to be optimized "due to expansion of the network and use of existing infrastructure". The essential investment of 15 billion rubles is already done, and the development of the new network will help to reduce investments to 3G. The representative of MegaFon, Dmitry Smirkin, neither confirms nor denies the authenticity of the presentation. Upon his words, the company will provide 4G coverage at 30% of the country territory – in several dozens of cities. The contract with Scartel will help MegaFon in that, admits Mr. Smirkin.

When Scartel was sold to the structures of Alisher Usmanov, who controls MegaFon, FAS had obliged the company to provide access to its networks to other operators. In spite of that, neither MTS, nor VimpelCom signed a Federal Contract with Scartel to use its networks. Only in Kazan, MTS has such kind of agreement and the Federal Agreement, according to MTS VP Alexander Popovsky, was prepared in May and got stuck in the process of coordination in Scartel.

Vimpelcom has been in similar discussion for several months already. Rostelecom even applied to court, accusing Scartel that they did not connect it to its network in terms of April prior agreement.

Now FAS is checking how Scartel fulfills its requirement. The services have requested information from operators and intends to find out how the conditions of MegaFon access to Scartel networks differ from those offered to other companies, said the Deputy Head of Transport and Communications Dmitry Rutenberg. ❖

❖ BBA National Plan

The Russian Union of Industrialists and Entrepreneurs (RSPP) has once again declared the need for a national program for BBA development in Russia. The Deputy Head of the Ministry of Communications Denis Sverdlov agreed that the plan was essential, but the State was not prepared to fund the development of BBA directly. Instead Mr. Sverdlov offered to stimulate the growth of BBA Internet artificially, by requiring state agencies to connect to the network only at higher speeds. This was announced at the meeting of the RSPP working group in the middle of September. The working group was created at the end of June this year. It consists of representatives of Rostelecom and the Big Three.

At the meeting of the group, the Deputy General Director of JSC Svyazinvest Mikhail Leshchenko said that development of BBA significantly stimulated the economy, affecting the efficiency of investment in the basic types of infrastructure, and depending on the country, with the BBA penetration gives the GDP growth to 10% (direct and indirect to 0/5-1%). But this data is lower than the relative in developed countries. Many other countries applied programs of BBA

development stimulation, so the disadvantage of Russia can grow. The State, according to Mr. Leshchenko, should adopt a national program for the BBA development in the frames of the strategy of innovative economy development (the so-called National Broadband Plan). Mr. Sverdlov agreed with these reasons.

He assured the audience that the Ministry is engaged in the development of such a plan striving specific objectives: the Internet by 2018 should be as accessible as electricity, and 80% of the residents must be able to connect to the cable internet at speeds of 100 Mbit/s. Accordingly, the industry must provide the connection of 5 million households to the Internet at speeds of 100 Mbit/s every year.

Denis Sverdlov pointed out the first path of an “artificial stimulation of demand” – to obligate state agencies to connect to the Internet only at high speeds, making the appropriate points in the contracts with operators. However, in this case, Mr. Sverdlov underlined, that possible measures of State stimulation could include tax incentives, various methods of administrative incentives –the State is not ready for direct funding of BBA projects. ❖

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