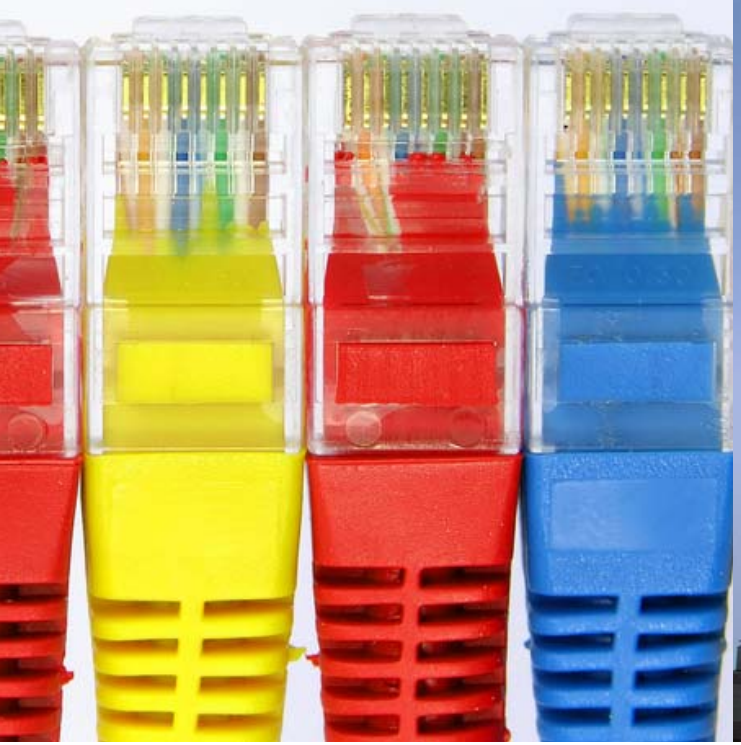

Russian Satellite Communications Company

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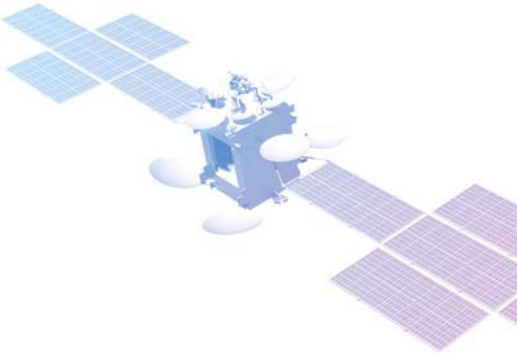

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via Satellite Communications

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Contents

Sources: ComNews.ru, Vedomosti.ru, Digit.ru, TASS Telecom, Izvestia and Kommersant daily newspapers

RSCC Hits It Off In Broadband

In q3 2013, RSCC's broadband subscriber base nearly hit 3,000, reported head of RSCC Yury Prokhorov at the 18th Annual Conference of Operators and Users of Satellite Communication and Broadcasting Network in Russia. The company launched satellite Internet services in Ka-band last year partnering up with AltegroSky, Raduga Internet, StarBlazer and HeliosNet.

"The unquestionable advantage of satellite broadband over mobile broadband is that you can roll out services pretty much anywhere. Also, in the case of Ka-Internet, the cost of subscriber equipment is comparable to that of a smartphone, which makes this service appealing for consumers, provided that we ensure high quality of services. Relatively high cost of satellite broadband access compared with mobile Internet can be a problem for an operator whose business model isn't elaborate enough. To make Ka Internet cost efficient, operators need a well-thought-out business model", underlined Yury Prokhorov.

Mobile Operators Losing Voice

Following the example of their fellow colleagues from abroad, Russian mobile operators launched service plans offering voice calls for free. Special Internet software made voice communications cheaper than traditional mobile tariffs. This far, such offers have only been available to individuals, but recently operators also revealed the first tariffs of this kind for corporate customers.

Russia's largest mobile operator MTS launched two new corporate plans with 1.5 GB and 3 GB monthly Internet traffic. Both plans allow for unlimited voice communications inside the network, and 500 or 900 minutes of free calls to other providers' networks. VimpelCom and MTS launched packages with free voice services for individuals earlier this year. MegaFon hasn't yet brought itself to completely drop the charges for calls. According to a source in the company, they took an alternative way.

Russian operators didn't invent anything new. USA's AT&T and German T-Mobile also offer plans with free voice calls. "In Scandinavia, several major operators have already introduced plans where a monthly fee entitles subscribers to a certain data traffic volume and unlimited voice traffic", communicated a source in Ericcson in Russia. According to the vendor, in 2010 data traffic in mobile networks outran voice traffic. Over the first 9 months 2013, global mobile data traffic notched 1.6 PB (1 Petabyte is approx. equal to 1 million GB), while voice traffic didn't even reach 200 PB. According to Ericsson, voice services still account for about 70% of Russian mobile operators' revenue, but this figure will be going down. In some countries of the Southeast Asia it has already dropped below 40%.

ITU Telecom World 2013

COMNEWS has become the first Russian info partner of ITU Telecom World 2013 exhibition which will take place in Bangkok on November 19-22 (http://world2013.itu.int). ITU Telecom World is a global platform for showcasing industry innovations and best practices, high-level debates between business and governments and networking for the global ICT community.

Regulators Turn Attention To Satellite Internet

The Federal Agency of Communication (Rossviaz) proposed to include satellite Internet into the Federal Target Program (FTP) on Broadband. The Ministry of Communications and Mass Media is willing to renegotiate the matter, while operators have declared their readiness to join the Program.

Deputy Head of Rossviaz Igor Chursin revealed at the 18th Annual Conference of Operators and Users of Satellite Communication and Broadcasting Network in Russia that the authority is currently examining documents for satellite Internet's inclusion into the Broadband FTP 2018 along with the satellite broadband expansion program. The materials were submitted to the Ministry for approval.

Deputy Director of Infrastructure Projects Department Mikhail Kaigorodov confirmed that back in the day the issue of satellite broadband hadn't been elaborated enough. According to the Ministry official, now that the industry is growing, it is the right time to get back to this question. "Building fiber optic lines costs a lot, in terms of both money, and time: an average project takes three years to roll out", explained a spokesperson from Rossviaz media relations department to ComNews. According to him, the RSCC's existing and soon-to-be-launched space crafts "make it possible to launch broadband services for small towns and rural areas as soon as tomorrow."

Dream For $19 Million

MegaFon launched a fiber-optic trunk line DREAM connecting Europe and Asia from Frankfurt to Hong Kong in collaboration with Kazakhtelecom and Interoute. The Russian operator poured 600 million rubles into the project. The system has a potential capacity of 8 Tbs, while end customers will be offered communication channels at speeds from 1 up to 10 Gbs. DREAM is 8,700 km long and extends through China, Kazakhstan, Russia, Ukraine, Slovakia, Austria and Germany. MegaFon's partners in Kazakhtelecom wouldn't disclose their investments into the project. Equipment for the network was supplied by Huawei.

"DREAM has an ideal configuration geography-wise", said MegaFon's Carrier Business Director Alexander Teremetsky. "We sought to minimize signal delay which is especially critical for customers in the financial industry and reduced it by 22 msec, which is the big advantage of DREAM."

According to MegaFon, round-trip signal delay between Frankfurt and Hong Kong is 175 msec, while market average is 195 msec.

Russian Broadband Booming

In 2012, Russian market of broadband access was $3.9 billion, and by 2016 it will be up by 40% and hit $5.5 billion, revealed a study on broadband market in Russia and abroad conducted by J'son & Partners Consulting. According to the consultancy, in 2012 households accounted for 69% of total market of broadband services, against 31% for the corporate segment. In 2012, broadband subscriber base stood at 26.4 million in the households segment, and 1.05 million – in the corporate sector.

J'son & Partners Consulting estimate that by 2016, the broadband market will see 37.5 million household subscribers and 1.57 million corporate customers, respectively. "In four years, broadband penetration will be up from 48% to 68% for households, and from 66% to 74% in the corporate segment", says the study.

According to analysts from J'son & Partners Consulting, by 2016 the market will gain more than 40%, and the growth will be propelled primarily by the households' segment: "This segment will be up by 44% compared with 2012, compared with 32% growth expected for the corporate segment."

The main factors pushing the market forward are increasing pace of PC penetration in households, expansion of data networks and their geographic scope and price cuts by service providers. The five largest players of the Russian broadband market, according to J'son & Partners Consulting, are Rostelecom, ER-Telecom, VimpelCom, Mobile TeleSystems (MTS) and TransTeleCom Company (TTK)..

Russian Mobile Million

A million Russian citizens go online from mobile devices only, communicated a representative of TNS Russia at RIW-2013 conference held in mid-October. According to TNS Russia, every fourth user of Internet in Moscow goes online from mobile devices. Muscovites make up 21% of all mobile Internet users in Russia.

The most popular websites visited by mobile users are search engines. In Moscow, the second place is secured by maps, which regional users show virtually no demand for. Social networks have taken the second place in regions. About 9% of mobile Internet consumers use tablets to go online. TNS Russia has registered that the number of connections from tablets goes up after the New Year holidays, while smartphone connections upsurge after September 1st.

Broadband For Russian Villages Will Cost $5.5 Billion

Operators have calculated that bringing broadband technologies into small centers of population will cost almost $5.5 billion. They hope that the Government will give the best part of this amount.

According to the estimates of the Big Four operators – MegaFon, MTS, VimpelCom and Rostelecom, it would take almost $5.5 billion to provide Internet with average connection speed at least 2 Mbs in localities with a population of over 500 people by 2018. These figures were stated in the presentation prepared for the Russian Government by Ministry of Communications and Mass Media. Our sources in several mobile operators confirmed reliability of these figures. The document also assumes that by 2018, advanced communication technologies enabling Internet access speed of at least ¾ from average access speed in Moscow will be available to 95% residents of small localities.

Tele2 Russia Calculated LTE Expenditures

According to Tele2 Russia, permits to use LTE (4G) in the 1800 MHz may be rendered useless even in case operators will have to build networks in towns with a population over 10,000, let alone small localities with a population over 500 people. The operator assessed that capital costs of 4G networks over 5 years may reach $715 million, and operational costs – $620 million. The question of using the 1800 MHz band will soon be treated by the State Commission for Radio Frequency (SCRF).

The bulk of capital expenditure (up to 60%) will be poured into organization of new sites (for base stations). As it has less frequency resource compared with competitors, Tele2 will have to set up 1,500 additional 2G base stations over three years in order to maintain the quality of voice services. That said, the company expects that by the end of 2018, their LTE subscriber base will surpass 4 million customers, providing $280 million rubles in revenue, and a $94 million EBITDA. To put this in perspective, in the first half-year 2013 Tele2 Russia catered to more than 23 million subscribers, the company's revenue was approx. $1 billion, and its EBITDA hit $360 million.

Russian Air Force Tested GLONASS

The Russian Air Force (RAF) has tested GLONASS/GPS fuel consumption monitoring and control system supplied by Omnicomm on the refueling system of military airfield Baltimore. The military training and research center of RAF (TRC of RAF) has been running trial operations during three months.

"The system's operational capacity is 100% proof", ComNews was explained in Omnicomm. "The objective of the project was to identify system capacity as to controlling refueling machinery movements, automation of aircraft maintenance and fuel consumption control."

"Apart from aviation refueling trailers, Baltimore aerodrome also has other types of motor vehicles. Their movements, fuel consumption and all operational parameters need strict control, and GLONASS/GPS can make such control possible for us", said Head of the department of aerodrome technical facilities of the TRC of RAF colonel Alexey Kosenko.

VimpelCom Getting Ready For LTE

VimpelCom, the third Russian mobile service provider in subscribers, will launch LTE network in Moscow on December 1st. Its nearest competitors – MTS, MegaFon and its recent acquisition Scartel – have already launched LTE services. According to VimpelCom, the equipment for its LTE network in the capital of Russia will be supplied by Ericsson corporation.

VimpelCom opted for LTE FDD. "TDD mode of the standard has a big drawback – a limited range of consumer devices supporting LTE, especially in smartphones", the company explained their choice.

Back in May, VimpelCom launched 4G services within the central Garden Ring. Other operators had done it even earlier: Scartel (Yota brand) – in May 2012, MegaFon – in June 2012, and MTS – in September of the same year. VimpelCom will also launch a 4G network in St. Petersburg. According to the company, this may happen in early March 2014, and equipment is to be supplied by Huawei.

Satellite Internet Gaining Momentum In Autumn

Two-way satellite broadband Internet is becoming increasingly popular among household customers in the Central Russia, revealed a recent study by ComNews Research. In July-September 2013, satellite broadband subscriber base was up by 29% reaching 6,000 users.

ComNews researchers summed up the results of the Russian satellite broadband consumer market in q3 2013. As it follows from their report, three operators accounted for bulk of the growth, including AltegroSky, Raduga Internet and RuSat.

The upsurge in subscriber base was supported, among other things, by slippage in price for services and subscriber equipment. In q3, KiteNet secured its position as the main driver of interest in two-way satellite broadband Internet in the consumer market by reducing minimum price for subscriber equipment down to $250.

Olympic Frequency To Share

Telecom sponsor of the Winter Olympic Games MegaFon has arranged for co-sharing 3G frequency of another Olympic sponsor – national operator Rostelecom – in Sochi 2014. The partners hope to settle all legal aspect of frequency co-sharing in the nearest future, they announced at a special press conference '100 days ahead of the Olympics'.

The agreement enables MegaFon to supply additional equipment for the new carrier – the 5 MHz in the 1930-1935 MHz band which Rostelecom hasn't put into operation this far.

"Thus we will be able to offer spectators attending the big stadiums 3G data speeds of at least 1 Mbs, and traffic at these venues will be very high", said a spokesperson for MegaFon.

A source in Rostelecom confirmed to ComNews the fact of negotiations for shared use of part of the radio frequency resource in the peak traffic hours, such as the Opening and Closing Ceremonies of Winter Olympic Games in Sochi. "However, frequency allocation of up to 5 MHz must not affect operation of Rostelecom's 3G network and jeopardize the quality of services outside of the Olympic venues", emphasized operator's representative.

Sales Of LTE Smartphones In Russia Up By 178 Times

In January – September 2013, sales of smartphones supporting 4G LTE were up by 178 times. But just slightly more than a half of these devices actually work in Russian operators' LTE networks. In the first nine months 2013, about 1.2 million LTE smartphones were shipped in Russia, reported Svyaznoy mobile retail chain. According to the retailer the market was up by 178 times from a year ago (in the first nine months of 2012 sales of LTE smartphones exceeded 6700 units in Russia), and share of LTE devices in total sales of smartphones was 11% in units and 23% in money terms.

Out of 1.2 million smartphones shipped in the first 9 months of the year, 520,000 were sold in the third quarter, says Svyaznoy's report. By contrast, only 5,500 LTE smartphones had been sold in q3 2012.

The popularity of LTE smartphones is boosted by their increasing affordability. Even though average price for such devices remains quite high (in q3 2013 it amounted to $623), it dropped by 12% over a year. It follows from the report that previously, "LTE support was mostly restricted to flagship smartphones, but today it can also be found in the mid-price segment".

According to Svyaznoy, more than 53% of LTE smartphones sold these days can work in 4G networks of Russian operators, whereas, in the beginning of the year 80% of handsets sold in Russia couldn't support LTE networks working in Russia.

"At this point, LTE penetration in Russia is far from ubiquitous, so this feature is hardly a key driver of consumer choice", continues the report. "People will still be driven by the functionality of the device, such as camera and processor performance."

About Us

ComNews is the major Russian publisher of business periodicals in the ICT industry and the main worldwide supplier of unbiased accurate information about the Russian ICT business.

ComNews has launched numerous projects in order to deliver unbiased, up-to-date and complete information about the Russian ICT industry across the former USSR countries and worldwide.

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