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# Broadband & Satellite Russia Newsletter

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Sources: ComNews.ru, Vedomosti.ru, Digit.ru, CNews

## ◆ TTK Assembles Subsidiaries

As part of company's reorganization one of Russia's largest operators TransTeleCom Company will consolidate all its subsidiaries into a single organization with branch management structure. The reorganization is stipulated by TTK's corporate strategy in the 2015 perspective.

"Subsidiaries of TTK where TTK holds 100% interest, 23 in total, will be merged on the first stage. The second stage foresees consolidation of TTK's subsidiaries which have minority shareholders, as the company will buy out their stock, which we are already preparing to do", a source in TTK told ComNews.

Last year, TTK completed repurchasing the stock of its 18 regional subsidiaries, which were previously controlled by the owner of the operator – Russian Railways OJSC.

In turn, Russian Railways has been considering to sell its stock in TTK (allegedly, the interest in question is 50% minus 1 share) for years. According to unofficial sources, they discussed different possibilities:

IPO, private offering, and even a deal with strategic investor. Before selling its share in TTK, Russian Railways wanted to improve management efficiency of the operator in order to boost its market value, and back then, in 2010, the company voiced its plans for regional asset consolidation.

Last November, Russian Railways communicated that they are considering a possibility of selling a minority interest in TTK in two years. The list of possible buyers includes Russian Direct Investment Fund (RDIF) controlled by Vnesheconombank.

RDIF has had plans to invest into TTK from the moment it was founded (in 2011). TTK was on the list of the RDIF's draft investment memo. Namely, it stated that RDIF will discuss with TTK an investment in the amount of \$250 to \$500 million, and total amount of investment may reach \$500 million – 1 billion. The investment was supposed to be used on TTK's expansion in the consumer market. ◆

## ◆ Russian LTE In USA

Russia's largest mobile operator Mobile TeleSystems (MTS) launched international LTE roaming as part of the agreement with America's AT&T. Beginning late March, subscribers to MTS will be able to use high-speed data services in the US through the LTE network of AT&T Mobility LLC.

MTS started to provide international LTE roaming services in November 2013. Mobile 4G/LTE data roaming is currently available for MTS subscribers in the United Kingdom, Canada, Switzerland, Norway, South Korea and the Saudi Arabia. ◆

## Two New satellites In The Orbit

The new Russian communications and broadcasting satellites, Express-AT1 and Express-AT2, were successfully orbited. Proton M lifted off from Baikonur in the middle of March. AT1 and AT2 will be deployed in a geostationary orbit at 56°E and 140°E orbital slots, respectively, to provide DBS services to users across all of the Russian territory and Kazakhstan. Express-AT1 will be commissioned following completion of in-orbit tests in April 2014. Commercial operation of Express-AT2 will start in May 2014.

Both spacecrafts were built by JSC Information Satellite Systems - Reshetnev Company in conjunction with Thales Alenia Space -

France. They were ordered by RSCC as part of Russia's Federal Space Program for 2006-2015.

"The launch of Express-AT1 and Express-AT2 satellites is critical for the development of domestic DBS market. Users in Siberia and the Far East will gain access to new Russian and international TV channels. The networks currently operated by Bonum-1 will be switched by RSCC specialists over to the new satellites after their commissioning, paving the way for many fascinating projects in Russia", stressed Yuri Prokhorov, RSCC Director-General. Bonum-1 currently caters to such broadcasters as Tricolor TV (Tricolor TV Siberia project) and NTV-Plus (NTV-Plus Vostok). ❖

## Long Way To Crimea

Fiber-optic link to the Crimea which Rostelecom was supposed to complete before the day of the plebiscite about the status of the rebellious peninsula – March 16th, isn't finished yet. Meanwhile, the next day after the vote Ukraine Telecom reactivated its cable, which was cut off by the unknown two weeks earlier.

Ukraine Telecom's only cable leading from the Crimea to Ukraine was cut off in the end of February. Russian sources of ComNews are convinced that Maidan activists were behind the incident. A manager from Ukrtelecom, who asked not to be named, told ComNews that the cross-connection of the cable linking the inland of Ukraine and the Crimea was interrupted by the 'polite people' (hinting at Russian military).

According to our sources, Russian operators are planning to lay their own lines to the peninsula. A source close to the Government communicated that in the beginning of March a meeting in the Kremlin discussed urgent construction of an alternative fiber-optic line to the Crimea from the territory of Russia. In the beginning, it was suggested that Ministry of Defence would undertake the project, next they tried to entrust it to the charge of Ministry of Economic Development, but both authorities backed down on the project. This is when the Ministry of Communications and Mass Media was involved, and Rostelecom may be contracted to deliver the required system. ❖

## ◆ Rostelecom Looking Into Space

National provider Rostelecom doesn't eliminate the possibility to acquire a satellite operator or enter into a partnership with one, communicated Rostelecom's President Sergey Kalugin at a press conference in the end of March.

"We are currently considering it. So far, we haven't made any decisions", Kalugin said. According to him, the main focus of the operator is heavy content, and in many regions it is easier to transmit using satellite technologies. "We aren't discussing any details, but there is a certain interest. This service is complimentary to us", he added. ◆

## ◆ Clusters Of Russian LTE

Russian State Commission for Radio Frequencies (SCRF) will put up for tender spectrum resource in the 2,570-2,620 MHz range designated for construction of national and regional LTE networks. Four largest mobile operators of Russia: MTS, MegaFon, VimpelCom and T2 RTC Holding (a joint venture of Rostelecom and Tele2) already have sufficient spectrum for 4G. Back in July 2012, the Big Mobile Three and Rostelecom were awarded frequency in the 791-862 and 2.5-2.7 GHz ranges, and moreover, last Autumn MegaFon acquired Scartel, with its LTE frequencies.

A spokesperson for Rostelecom says that they will study tender conditions for additional spectrum, but market players aim to build LTE networks using FDD (Frequency Division Duplex) technologies,


whereas these new tenders only offer one band, thus making it possible to use TDD (Time Division Duplex) technology alone. MegaFon, VimpelCom and Tele2 will decide whether they will go in, after they study new tender terms and conditions, communicated sources in the respective companies.

Also TTK will consider entering into the tender process, said company's Vice President for Corporate Communications Tatiana Semenova. She estimates that a nationwide LTE network built on these frequencies could require up to \$1 billion of investment, whereas using a 20 MHz band to expand capacity of existing network would cost significantly less. ◆

## Internet Detouring Ukraine

Russian Government is studying different possibilities of setting up a communications channel with the Crimea peninsula, ComNews was told by two sources in the federal authorities.

The Crimea is currently linked to inland Ukraine by a fiber optic cable owned by Ukraine's largest fixed-line operator Ukrtelecom. But this cable has already gone down recently, after the beginning of political tension in the region. The reliability of this channel looks dubious for political reasons, but the peninsula still needs to be connected to Rus-


sia. The Government came up with three possible solutions: laying a radio-relay channel, mounting fiber optic line on the seabed or along the motor bridge across the Strait of Kerch. The bridge doesn't exist yet, but the project has been pending since 1990s. Prime Minister Dmitry Medvedev recently signed a government decree authorizing the construction of the bridge. Mounting a fiber optic line along the bridge is a preferable option. Similar scheme was used to enable telecom infrastructure for the APEC summit in 2012 at the Far East Russky Island. 

## Eutelsat Started Business In Russia

Global satellite operator Eutelsat set up a subsidiary in Russia – Eutelsat Networks – in order to directly offer satellite broadband services in the Ka-band in the Russian market. The company is currently seeking executive manager to lead the new organization, ComNews was told by several satellite market insiders. Regional Vice President of Eutelsat in Russia Nikolay Orlov endorsed the company's plans in an interview to ComNews.

“In 2013, we established Eutelsat International Ltd. in Cyprus which would market capacity to providers of direct satellite broadcasting services”, explains Nikolay Orlov. “Now we set up a 100% subsidiary of this company in Russia - Eutelsat Networks, which will offer satellite broadband services in the Ka-band using Express-AMU1 satellite.

This spacecraft ordered by RSCC and manufactured by EADS Astrium is scheduled for launch in 2015 to be deployed at 36° E orbital slot. Eutelsat will also use the leased capacity, and this explains why the second name of the satellite is Eutelsat 36C.

Eutelsat laid the foundation for the new organization in Russia last summer, when it set up Eutelsat Networks Ltd. in Russia. Nikolay Orlov emphasized that despite having its own organization aimed to provide broadband services, Eutelsat will continue to pursue partnerships. Key partners are RSCC, which works in the satellite broadband market through partner operators, using Eutelsat KA-SAT satellite, and is the direct ordering customer of Express-AMU1/Eutelsat 36C. 

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## ◆ Entry Fees Up By 7 Times

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Payments to property management companies for access to communications inside edifices have become one of the fastest growing expense items for pay TV and Internet providers.

Thus, payments to residential housing management companies have required significant expenses from ER-Telecom in the past two years, said Andrey Semerikov, CEO of the second largest Internet provider in Russia. Since the end of 2011, many management companies have increased access fees for in-house communications about fivefold, confirmed a source in ER-Telecom's federal competitor. Tariffs grow every year, and aggregate growth may reach fivefold, agreed a spokesperson for Akado Telecom.

Today, to get into a residential estate, you need consent of two thirds of flat owners, exemplifies a representative of MTS. It is difficult to meet this requirement, and as a result, it's bad for network construction pace and overall competition, he adds. Nondiscriminatory access to in-house infrastructure for telecom operators should be explicitly stated in the legislation, stressed a representative of Rostelecom.

In November 2013, Ministry of Communications and Mass Media brought up a proposal to the federal Government to provide operators with equal rights for access to residential estates, amend construction standards and etc. The Ministry is due to submit the agreed comprehensive proposals to the Government in q2-q3 2014. ◆

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## ◆ Mobile Internet Gaining Momentum

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In February 2014, number of users of mobile Internet in Russia, which go online every day, was up from 56% to 61% compared with last year, quoted NewMR in its Mobile Russia study. According to researchers, share of users aged 18-34 was up from 48% to 53%. Share of users with general secondary education was also up (30% against 28%), whereas share of users with higher education reduced from 30% to 27%.

Share of users who own two mobile devices with enabled Internet access was up from 31% to 39%, compared with winter 2013. Smartphone remains the most popular gadget, it accounts for 64%

of all Internet devices. Android is still the most popular operating system, and its positions have even grown stronger: in February 2014, 60% of all smartphones and tablets with Internet access were Android-based devices (up by 11%). Windows Phone OS is also gaining share in Russia (up from 13% to 16%), while Apple devices were down from 16% to 13%. Earlier, NewMR reported that in Russia most Internet connections from mobile devices are made using Wi-Fi – 72% of total connection time for smartphones and 87% - for tablets. Most users go online through their home Wi-Fi network. ◆



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**◇ \$75 Million Underwater**

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Rostelecom is going to spend more than \$75 million on an underwater fiber optic line which will link Sakhalin Island with Kamchatka and Magadan. Construction period of the new channel which was projected for commissioning next year was extended to 2016.

The construction of the fiber optic line is subject of tender documentation posted on the state procurement portal. Auction results will be drawn up April 16th.

“Last September we issued a tender for equipment supply, but none of the bids was able to meet our requirements. In the beginning of this year we slightly alleviated them”, ComNews was told by a spokesperson for Rostelecom.

Maximum throughput of a 2,000 km underwater fiber optic line which was projected to be launched next year will be 8 Tbps (80×100G – see ComNews from Dec.5th, 2013).

Construction period was extended as cable-laying works in this region are only possible in the warm time of the year. The project is extensive and implies numerous phases. First they will need to build ground infrastructure, next the construction will be taken under water, and so on.

Initially, the Big Three operators (Mobile TeleSystems, VimpelCom and MegaFon) also intended to participate in the construction of the underground fiber optic line Sakhalin – Magadan – Kamchatka. May 14th, 2012 the Big Three and Rostelecom signed an agreement of intent at Sviaz-Expocomm exhibition. Back then, the project was estimated at a slightly smaller amount. ◇



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- Gateway construction – a business need or a political necessity?
- System for Operative Investigative Activities in mobile satellite communication networks.
- Interaction issues of mobile satellite and terrestrial cellular networks.
- Data transfer and broadband in mobile satellite communications
- B2B and B2C VSAT markets in Russia: challenges and prospects for the industry

**April 16, 2014**

Renaissance Moscow Monarch Centre Hotel  
31A bld.1 Leningradsky prospect, Moscow, Russia

**April 17, 2014**

Telecommunication Center Schelkovo  
77B bld. Moscow street, Schelkovo, Moscow region, Russia



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## About Us

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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.

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ComNews publishes business periodicals, provides companies with exclusive content, studies the market, and holds business events.

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15 years in the market, offices in Moscow and St. Petersburg

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