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different angle

# Broadband & Satellite Russia Newsletter

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Sources: ComNews.ru, Vedomosti.ru, Kommersant.ru

## ◆ TTK Develops SDN and CDN

Andrey Podkolzin, Head of Clients Connection Department at one of the biggest Russian operators TTK Company, estimates that the company's shift to Software Defined Networks (SDN) and Network Functions Virtualization has good potential.

He made a speech at the IV International conference Transport Networks Russia 2015 in Moscow, and claimed that TTK sees positive prospects in SDN in terms of creating new services for corporate clients.

"TTK is a backbone carrier, and SDN solutions are interesting for us as an instrument to create new services for corporate clients, as well as to optimize network servicing costs through the reduction of network layers," he said. "We also consider the possibility of using SDN to automate our internal processes."

Speaking about the development of Content Delivery Networks (CDN), Andrey Podkolzin highlighted that the company's infrastructure was ready for large-scale CDN development in Russia.

"Content consuming grows, and the number of caching servers necessary for its expansion shows proportional growth. Moreover, the closer content becomes to the user, the more available it is, and the volume of its consumption grows accordingly. TTK has the necessary resources for locating caching servers and for connecting Russian and global CDN operators and content providers to the backbone, and TTK has active partnerships with players in this market." ◆

## ◆ Express AM7 Enters Orbit

The long-awaited first satellite manufactured abroad joining the group of the Federal State Unitary Enterprise "Satellite Communications" (RSCC) – Express AM7 – successfully reached geostationary orbit in the end of March.

Proton-M carrier rocket with Express AM7 satellite onboard was launched from the Baikonur Cosmodrome on 19 March 2015. The spacecraft successfully separated itself from the Briz-M upper stage and was taken over by the specialists from Airbus Defence and Space, the French producer company, to be transferred to geostationary orbit.

In the case of Express AM7, Airbus Defence and Space used an injection sequence, which is traditional for European satellites: the rocket, together with the upper stage, delivers a spacecraft not to a target point on geostationary orbit, but to geo transfer orbit. For several days, the satellite shifted from this orbit using its own propulsion system (the so-called apogee motors). This injection sequence suited Express AM7 because of its weight (5686 kg) – Proton's capacity was enough only for carrying such weight to geo transfer orbit. ◆

## ◆ Yamal-300K Moves Eastwards

In the end of March, the owner of the second Russian space group “Gazprom Space Systems” (GSS) finished transferring clients from Yamal-300K satellite with Ku-band transponders to Yamal-401, which has more capacity. In the beginning of April, all transponders at Yamal-300K were switched off and it started shifting from the point of 90° East to 183° East. The satellite’s transfer will last approximately for a month.

In order to take the new position, the spacecraft’s electric propulsion engine will be started, and it will provide the speed of approximately 3° per day. In the end of the transfer, the operator will turn on the transponders, carry out the testing and launch the spacecraft into commercial operation at the point of 183° East.

From the new position, Yamal-300K will unite two continents with a wide contour beam and cover the North of the Pacific Ocean, and the

narrower beam will cover the Russian Far East, including Chukotka and Kamchatka. The beam of Yamal-300K, capable of being redirected, will be directed at Australia or another region of Southeast Asia. The new control station for Yamal-300K is established near Khabarovsk. According to GSS, the satellite in its new position attracted the interest of companies providing communications for air and marine transport, oil and gas industry enterprises, and operators of fixed and cellular communications. Several contracts related to the use of capacity of Yamal-300K have already been signed, and now there are ongoing negotiations with new clients and traditional partners, including global satellite operators. ◆

## ◆ Smartphones Conquer the Market

During the last four years, the average monthly expenses of smartphone users in Russia reduced by \$2 and, in the second year-half of 2014, amounted to \$9 monthly. The fact that smartphone users have reduced their communication service expenses is shown in the RosIndex study, conducted by the Synovate Comcon company.

Most of the “big three” Russian operators do not agree with this tendency. They claim that the communication services in the market are becoming cheaper, and the consumption is growing together with this, in many respects due to the spreading of smartphones.

The users of feature phones spend even less money on communication services than the users of smartphones. During the last four

months, their average monthly expenses reduced by \$0.76, and in the second year-half of 2014 they amounted to \$6 monthly. However, the difference in communication expenses for different types of devices is diminishing. This is also connected with the new offers, which mobile carriers are introducing for those who have smartphones.

As one of the consequences, smartphones continue displacing feature mobile phones on the market. Now 39% of mobile phone users in Russia in the age of 10 and older have a smartphone, and 63% of subscribers use a feature phone. In Moscow, more than 50% of population uses smartphones. ◆

## ❖ Giants' Pessimism

The biggest Russian mobile carriers fully experienced the drawbacks of the crisis, and are now very careful in forecasting their business growth. The most optimistic scenario for 2015 envisages the revenue growth by three percent, despite the fact that three years ago MTS, MegaFon and VimpelCom showed a value of approximately 10%.

The largest player MTS was the last of the “big three” operators to publish its financial and operating results for the fourth quarter of 2014 and for the year. This provider’s revenue in 2014 grew by 3.1% to \$7.117 billion. This value was also influenced by the reduction of its Ukrainian subsidiary’s subscriber base in connection with the country’s

political situation. The OIBDA index lowered by 5.3% to \$738 million, but at year-end it grew by 0.3% to \$3.040 billion. The OIBDA margin at quarter-end lowered by 3.2 percentage points (p. p.) and amounted to 39.7%, and at year-end – by 1.2 p.p. to 42.7%. These values were affected by seasonal factors, as well as by inflation and the network launch in Uzbekistan.

At quarter-end, net income lowered by 91.7%, reaching 1.6 billion rubles, and at year-end it lowered by 35.1% (\$898 million). This reduction was connected, among other things, with currency differences. The USD-denominated debt was re-evaluated, and the non-monetary loss amounted to \$154.2. ❖

## ❖ Communications Fever in Crimea

One year after the annexation of Crimea to Russia, the communications and internet access market of the peninsula changed completely. Many Ukrainian operators left Crimea, not wishing to change their jurisdiction, or were nationalized. The region has well-developed mobile communications, but problems remain in the areas of fixed communications and data transfer. Nine Russian companies acquired numbering capacity and licenses to render such services in

Crimea. According to the register of Rossvyaz, in the localities of Crimea and in Sevastopol the numbers with the codes “365” and “869” for rendering fixed telephone network services were assigned to the following companies: Aurora Telecom, Internod, Quantum, Crelcom, Miranda-Media, Mostelecom, Prima Telecom, Sevastopol Telecom, and UnitTelecom. The only remaining Ukrainian operator among them – Crelcom – is an internet provider registered in Crimea in 1993. ❖

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 **Ask Experts about Frequency Prices**

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The Ministry of Communications and Mass Media (Minkomsvyaz) and the Ministry of Economic Development (Economy Ministry) conducted a preliminary discussion regarding the pricing mechanism for 2570–2620 MHz frequencies for mobile communications of the fourth generation (4G LTE). These frequencies will be put up for the first Russian auction, and according to the decision of the State Commission for Radio Frequencies (SCFR) it has to take place before the IV quarter of 2015. The frequencies are divided into 82 lots – one of them is federal (a 20 MHz wide band) and 81 are regional – they cover all regions of Russia, except for Moscow, the Moscow region, Crimea and Sevastopol.

Minkomsvyaz is assigned to prepare a method to calculate the initial prices of these lots. According to a source from Minkomsvyaz, the

prices will be “reasonable”: the Ministry is afraid that operators might consider the frequencies to be too expensive and refuse from taking part in the auction at all due to the crisis.

The representatives of the Economy Ministry, including those in the SCFR, claim that the Economy Ministry is indeed collaborating with Minkomsvyaz in relation to the upcoming auctions. However, the approval of a calculation method might take time, and the first auctions are to be announced soon, so the prices for them will be calculated separately, on the basis of expert estimations. The authorities assume that these experts can include the representatives of operators and branch associations. 

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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.

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

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