

Russian Satellite  
Communications Company

# Broadband & Satellite Russia Newsletter

*No 55*

*June 01–14, 2013*



Russian Satellite  
Communications Company



The World is United  
via Satellite Communications



PEKJAWA

e-mail: [sales@rsc.ru](mailto:sales@rsc.ru)

[www.rsc.ru](http://www.rsc.ru)

---

---

## Contents

---

---

<b>Rossvyaz Head tours the Space Communications Center (SCC) at Bear Lakes . . . . .</b>	<b>4</b>
<b>4G launched on schedule . . . . .</b>	<b>4</b>
<b>Ministry of Communications and Mass Media will revise requirements to communication network operators . . . . .</b>	<b>5</b>
<b>Megafon will offer 4G roaming service . . . . .</b>	<b>5</b>
<b>3G aiming for the top . . . . .</b>	<b>6</b>
<b>Osnova Telecom goes offensive. . . . .</b>	<b>6</b>
<b>LTE for Sochi . . . . .</b>	<b>7</b>
<b>MTS shops around Akado . . . . .</b>	<b>7</b>
<b>MGTS to revive public pay phones . . . . .</b>	<b>8</b>
<b>9 billion in 5 years . . . . .</b>	<b>8</b>
<b>About Us. Contacts . . . . .</b>	<b>9</b>

Used publication by ComNews.ru, Kommersant, RBC daily, Digit.ru

## ❖ Rossvyaz Head tours the Space Communications Center (SCC) at Bear Lakes

On June 6, 2013 Rossvyaz Head Oleg Dukhovnitsky toured the Space Communications Center (SCC) at Medvezhyi Ozera (Bear Lakes). The SCC is a branch of RSCC.

The meeting was attended by Ye.V.Buidinov, Acting RSCC Director General, V. P. Duka, Director of SCC at Medvezhyi Ozera, A. S. Kuleshov, Deputy-Head of GUSP, A. V. Korshunov, Acting Chief Engineer of SCC, and other specialists from RSCC.

RSCC and SCC management told Oleg G. Dukhovnitsky about the history of this RSCC branch and its tasks within the overall RSCC

infrastructure, as well as its role in the implementation of such important federal programs and projects as digitalization of the Russian TV, development of the Jupiter system, etc.

The Head of Rossvyaz toured the main facilities of SCC including the recently built earth station for Ka-band as part of the high-speed satellite-supported access. He also took part in the direct communication session with Novosibirsk using the mobile satellite communications complex. ❖

## ❖ 4G launched on schedule

Russia's largest mobile operators MTS, Megafon, Vypelkom and Rostelecom succeeded to meet the terms established by the Federal Supervision Agency for IT and Communications (Roscomnadzor): Vypelkom and MTS have launched 4G services in Moscow, Megafon – in Yekaterinburg, and Rostelecom in Sochi.

Under the terms of last year's tender held by Roscomnadzor to allocate licenses for provision of LTE services in the 791-862 MHz band (the winners were also granted the 2.5-2.7 GHz band, and in the future they are also promised the 700 MHz band) MTS, Megafon, Vypelkom and Rostelecom had to launch services by this June 1.

In the end of May, Vypelkom announced the launch of LTE in Moscow. MTS and Megafon had launched its LTE networks in the capital of Russia a year ago, but neither company actually used the frequency obtained

through the tender, and therefore couldn't be rendered compliant to the licensing terms and conditions. In the beginning of June, MTS announced that they built another LTE subnetwork on the frequency obtained through the tender. In the end of May, Megafon deployed an LTE network in their own frequency in Yekaterinburg. The network in Sochi was launched by Rostelecom on June 1.

Depending on the lot, winners of the 4G tender are supposed to build LTE networks in 5-8 regions by December 1, 2013. Apart from the Big four (MTS, Megafon, Vypelkom and Rostelecom), other operators granted an LTE license include Scartel (Yota brand) and Osnova Telecom. Scartel has launched LTE in more than 100 municipalities of 29 regions (this frequency is used for 4G by Yota and Megafon). Osnova Telecom hasn't launched commercial networks yet. ❖

## ❖ Ministry of Communications and Mass Media will revise requirements to communication network operators

Russia's Ministry of Communications and Mass Media is going to revise the requirements to public communication networks, which is meant to conform them to the provisions of Ministry of Economic Development among other things, communicated deputy director of the radio frequency spectrum and communication networks department Dmitry Kostrov. According to the official, telecom is the only industry in Russia which is governed by a special law – "On communications". The authority will revise the document conceptually transforming it "from a hierarchical system into a horizontal one".

Besides, earlier this week the Ministry of Economic Development submitted a request to the Ministry of Communications concerning revision of decree №113 on support of public networks' stable functioning. Namely, the Ministry of Economic Development proposed that communications' quality should be governed by agreements among operators rather than strict government regulations, and minimal quality standards can be established by the government in specific cases only. According to Kostrov, the decree in question will be revised subject to comments from the Ministry of Economy. ❖

## ❖ Megafon will offer 4G roaming service

In the beginning of June, Russian mobile operator Megafon ranked 2nd in subscriber base, offered its clients travelling across Russia a 4G network. For now, 4G speeds will be available in Moscow, Caucasus, Volga, Far East, Ural and North Siberia regions where the operator has already arranged LTE frequencies. 4G roaming services will be billed according to the rates for 3G services.

Megafon has deployed 4G networks in regions inhabited by some 30% of Russia's population, said Mikhail Dubin, Megafon's Executive Director for Consumer Business. He promised that by the end of 2013 they will cover 40%.

LTE Internet access speed rates may reach 50 Mb/s. The company hopes that the new service will boost the share of 4G traffic. In the beginning of the year it amounted to 5% of total Internet traffic in Megafon's network.

As of today, 4G networks from Megafon cover more than 80 Russian municipalities, including 7 cities with population over 1 million. However, you can't use 4G Internet unless you purchase a special SIM-card – USIM and an LTE compatible device – a modem, router, smartphone or tablet.

As for the international 4G roaming, at this point the operator wouldn't specify any timeframes. ❖

## ❖ 3G aiming for the top

Only one out of three owners of smartphones in Russia who use mobile broadband services is satisfied with network quality. And only 13% users mentioned that their mobile web surfing experience is affected by scarce coverage of 3G networks, says a study on the perception of network quality among smartphone users (about 25% of total mobile operators' subscriber base) conducted by Ericsson ConsumerLab. According to the study findings released in the beginning of June, owners of smartphones spend up to 85 minutes per day chatting and exchanging content in the social media.

The main target of criticism among smartphone users is slow upload speed, difficulties with viewing streamed video and downloading data.

For smartphone users, the main factor of network perception is data transfer rate, and 45% of users believe it to be insufficient in the 3G networks. For 13% users another negative factor is scarce coverage of 3G networks in Russia. The same percent of users complain about slow operation of smartphones. 10% of Russian users are irritated by long response time (of a service or server) and only 6% aren't satisfied with the quality of wireless services in Russia.

Despite a number of issues, mobile service providers record a low number of complaints related to mobile Internet from their subscribers.

## ❖ Osnova Telecom goes offensive

Osnova Telecom still hopes to reclaim the frequency it was granted earlier. On June 10, the operator filed a suit to Moscow's commercial court against Federal Supervision Agency for Information Technologies and Communications (Roscomnadzor) and reported the General Radio Frequency Center (GRFC) to the Federal Antimonopoly Service. The operator has finished the construction of 4G networks in Ivanovo, Yaroslavl and Vladimir but cannot deploy them until Roscomnadzor assigns them frequency. The operator pleads to hold illegal Roscomnadzor's failure to act, since the authority avoided to provide the public service of frequency or frequency channel allocation, and also to oblige Roscomnadzor to allocate frequencies pursuant to applications submitted earlier.

In January-March, Osnova Telecom received favorable conclusion from the GRFC for the electromagnetic compatibility expertise. The operator submitted the conclusion report to Roscomnadzor in an attempt to be assigned frequency. However, in April the GRFC notified the operator that it had annulled all conclusions issued earlier based upon the fact that Ministry of Defense holds it impossible to use the 2.3-2.4 GHz frequency nominals granted to Osnova Telecom throughout the entire country, because the Ministry reconsidered the decision to allow Osnova develop a 4G project and even proposed to withdraw the permission to use the 2.3-2.4 GHz band it had previously gave to Osnova. Some of Osnova's shareholders insisted that there were no legal grounds for frequency withdrawal. Minister of Communications and Mass Media Nikolay Nikiforov endorsed this opinion.

## ❖ LTE for Sochi

Rostelecom launched the first LTE subnetwork in Sochi. Before the year end, the operator plans to deploy LTE networks in eight regions: Krasnodar territory (Sochi and Krasnodar), Khanti-Mansiysk autonomous district – Yugra, republics of Khakassia and Northern Ossetia – Alania, Sakhalin region, Chukotka and Nenets autonomous districts and the Jewish autonomous region.

In a talk with ComNews, a representative of Rostelecom specified that all licensing terms will be met in at least five regions, which means

that the operator will ensure coverage in regional administrative centers and all municipalities with population over 50 thous. people.

“In the nearest time we will announce a tender for supply of equipment, building and assembly and start-up procedures at all locations except for Krasnodar territory, where tender procedures were completed in 2012. The active phase of LTE networks roll-out will fall on the 3rd and 4th quarters of 2013”, explained the spokesperson for Rostelecom. ❖

## ❖ MTS shops around Akado

MTS hits at unchallenged leadership in the Moscow market of Internet and subscription television. The company is negotiating to purchase one of the largest operators in the Russian capital – Akado. If the deal comes off, MTS will control almost 50% of the Moscow market, while its nearest competitor – Vypelkom currently has 22.7%. A year ago, owners of Akado – Viktor Vexelberg’s Renova and Yury Pripachkin estimated the company at more than \$1 billion.

“MTS has made an official offer to Akado’s shareholders, it is currently under discussion”, communicated a source from the telecom industry. Yury Pripachkin who owns 33% of Akado declined to comment, and so did MTS, Renova (holds 67% of Akado) and Akado itself.

A year ago, owners of Akado estimated the company at more than \$1 billion, says Dmitry Kasyanenko, Managing director of Advance Capital.


“Based on the recent indicators, the fair value would be \$800-900 million (6-6.7 EBITDA)”, says Mr. Kasyanenko. “Today the market isn’t ready to offer high multiples. On the other hand, owners of Akado may count on a premium, since there are hardly any other companies of comparable size left in the market.” In the end of May, Renova’s owner Viktor Vexelberg declared that he was ready to sell the company if a good offer came up.

Akado Group provides voice, Internet and subscription television services in Moscow, Saint Petersburg and Yekaterinburg, holds 100% of Moscow backbone fiber-optic network Comcor and 50% of Belarus company Kosmos TV. Turnover in 2012 – 353 million \$, EBITDA – 134 million \$, EBITDA margin – 38%. Subscriber base – 0.84 million subscribers to broadband services, 1.24 million cable TV subscribers and 0.656 million digital TV subscribers. Net debt – 371 million \$. ❖

## MGTS to revive public pay phones

Moscow City Telephone Network (MGTS) will modernize Moscow's public phone network. The operator will mount several hundred new pay phones equipped with wireless Internet access, navigator and payment terminal. MGTS network consists of about 3000 pay phones, with 600 of them being financed from the fund of all-in-one communications service, and the remaining 2400 are on the balance sheet of MGTS. Monthly traffic of pay phones doesn't exceed one million calls, and about 25% of them are people calling emergency services – EMERCOM, ambulance and police. Pay phones are considered to be a loss-making project for MGTS: they cost the operator tens of thousands of dollars per year.

According to Mr. Ershov, MGTS already has the new booth with a Wi-Fi module, vandal-proof touch screen, camera for making instant photo and video, QR- and bar code reader, navigator with route printing feature, printer, payment terminal which supports NFC contactless payments. The company presented the prototype of the new pay phone in May. Andrey Ershov said that MGTS discussed the project with Samsung.

The pilot stage of the project in 2013-2014 envisages a few hundreds of new phone booths to be mounted in Moscow. Cost of modernization of one booth is estimated at \$5-10 thousand, therefore, modernization of the whole network may cost up to \$24 million. 

## 9 billion in 5 years


By 2018, the volume of connections to mobile networks in the world will be up by 42% to 9.1 billion, and connections to mobile broadband services will grow up to 5 billion – almost threefold compared with today, predicts Ericsson. The major part of mobile traffic – up to 50% will be accounted for by video.

In the first quarter of this year, the number of connections to mobile networks globally was 6.4 billion. Actual number of subscribers, according to Ericsson, is 4.5 billion, as some people use more than one SIM card. The number of connections to mobile broadband services was about 1.7 billion. Despite the growth in smartphone penetration, in 2018, 4 billion connections to mobile networks will be made using conventional phones.

By the end of 2012, total number of mobile connections through smartphones reached 1.2 billion, and by 2018 this figure is due to grow

up to 4.5 billion. At the same time, researchers are expecting an increase in connections to mobile networks using PCs, mobile routers and tablets – from 300 million in 2012 up to about 850 million in 2018.

The main gain in LTE connections, according to Ericsson, shall be registered in Northern America (this technology is forecast to win about 70% of the market) and Western Europe (about 35%). Ericsson experts also believe that HSPA will continue to be the dominant technology in Central and Eastern Europe accounting for more than 70% of connections, while slightly more than 15% will be carried out via LTE. In five years, LTE networks will cover 60% of global population, forecasted authors of the study.

Ericsson estimated that by the end of 2018, mobile data traffic will be up by 12 times. 



---

---

## 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.

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

ComNews caters for every need for business information and communications of the players in the market of telecoms, broadcasting and IT.

ComNews partners with the major companies and non-commercial associations of market participants. The Media Partner status enables ComNews to distribute its printed matter at the world's largest ICT forums worldwide.

120,000 unique visitors on [ComNews.ru](http://ComNews.ru) portal a month

10,000 readers of the monthly magazine's circulation [Standard](#)

10,000 copies of the [Communications and Broadcasting Encyclopedia](#) annually

5,000 copies of [Who Is Who in Telecommunications and Broadcasting](#) annually

500 clients including major Russian and international ICT companies

over 20 [Industry Conferences](#) hosted by ComNews

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

---

---

## Contacts

---

---

ComNews Moscow  
2/1 Verkhnyaya Krasnoselskaya Ulitsa, Building 1, Office 428  
107140 Moscow, Russia  
Tel.: +7 495 933 5483

ComNews Saint Petersburg  
22 Moskovsky Prospect, Litera L, Office 36N  
190013 St. Petersburg, Russia  
Tel.: +7 812 670 2030

<http://www.comnews.ru>