

Russian Satellite  
Communications Company

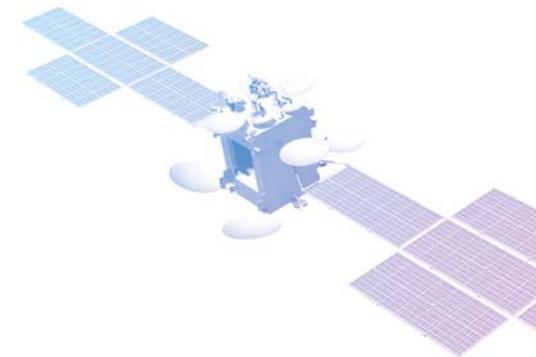
# Broadband & Satellite Russia Newsletter

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Russian Satellite  
Communications Company



The World is United  
via Satellite Communications



PEKJAMA

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

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

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Sources: ComNews.ru, Izvestia, Vedomosti, Kommersant

## ❖ RSCC Expanding Its Presence in Regional Markets

From 20 to 22 August 2013, Brazil's Sao Paulo will be hosting the most important international conference and exhibition on equipment and services for TV engineering, broadcasting and telecommunications in Latin America. The target audience includes telecommunications operators, broadcasters, and industry specialists and top executives whose business involves creation and

development of services for the multimedia market. RSCC is participating in the event for the first time. RSCC views the conference and exhibition as a promising site for advancing RSCC services based on the capability of its new satellites, including Express-AM8, that will be available in Latin America starting in 2014. ❖

## ❖ Ministry of Communications and Mass Media is On the Line

Russian Ministry of Communications and Mass Media proposed to allocate over three years about \$660 million from the Universal Service Fund (which is put together using contributions of operators who channel 1.2% of their revenue to the pot each year) and the fees for radio frequency use on purchasing Internet traffic in remote locations of the Russian Federation. The authority hopes that if they create demand, then operators may become interested in rolling out their networks in such regions.

In early August, the supervisor of Russian ICT industry Deputy Prime Minister Arkady Dvorkovich summoned a meeting to discuss the Ministry's proposals on reducing connection costs of broadband Internet services for households. One of the solutions proposed at the meeting was to drive the demand in remote and hard-to-reach communities. Altogether, such communities have 3.3 million inhabitants. It will take 31,900 km of fibre optic lines worth some \$1.3 billion to plug these people into broadband. Ministry of Communications and Mass Media proposed to commit for demand promotion approximately half of this amount over three years using resources of the Universal Service Fund and payments for radio frequency use.

Besides, the Ministry proposed to facilitate operators' access to infrastructure which will help to reduce cost of connection per household by 6%, and abolish state expertise for newly commissioned communication installations (thus, each project's lead time will reduce to two-three months). Also, operators may be allowed to build and repair-maintain communications installations, such as base stations or antenna mast structures located on lands which have no communications category.

According to ACM-Consulting, as of the end of 2012, Russia had 21.9 million broadband subscribers (4.8 million in Moscow and Saint Petersburg) compared with 230.5 million mobile users (of which Moscow and Saint Petersburg account for 51 million).

Last December, Minister of Communications Nikolay Nikiforov evaluated the Universal Service Fund and the receipts from frequency use fees at about \$1 billion annually. According to him, whereas current average connection cost per 1 household amounts to \$360, the Ministry's objective is to figure out a scheme to reduce this sum to under \$100. ❖

## ❖ Russia's Share in the Global Market of Smart Devices Will Reach 2% by 2017

By 2017, sales results of smart devices (such as smart watches or eyewear) in Russia will reach about 1.7 million units – approximately 2% of global market, communicated J'son & Partners Consulting. According to company's analysts, market success of smart devices in Russia may be undermined by delayed market launches, lack of official distributors of smart devices, relatively small product offering and high prices.

Such conclusions are based on data from another consultancy — Juniper Research. As it follows from their calculations, in 2013 global sales results of smart devices will amount to 15 million units, and by 2017 this figure will grow up to 70 million units. ❖

## ❖ LTE Union Cleared Path for Beeline

As a result of frequency conversion, the LTE Union liberated the 813.5-820 MHz band in the Moscow region. The frequencies were liberated by Socintech and MTK Trank which were using the band allocated to VimpelCom through a tender process.

“Apart from clearing the spectrum, we have also been conducting field trials and tests of electromagnetic compatibility in the 791-862 MHz and 813.5-820 MHz bands”, says executive director of the Union Gulnara Khasianova. “This will allow operators to deploy LTE networks without

converting the existing equipment to other bands, which will help to speed things up and save a lot of money.” Khasianova also mentioned to ComNews that they still have a lot more work to do concerning electromagnetic compatibility in the 791-862 MHz band both in Moscow and in other regions, because this bandwidth is often used by radio-electronic equipment of aerial navigation and special communication systems.

A source in VimpelCom confirmed that they are planning to use the cleared frequency for rolling out LTE network in the Moscow region. ❖

## ❖ News from Scartel

In early August, broadband operator Scartel (Yota brand) has tested VoLTE (Voice over LTE) technology and is technically ready to support voice calls inside the LTE network, reported company's press service.

“VoLTE enables voice calls in the LTE environment without switching to GSM/3G (Circuit Switch Fallback - CSFB), and also offers a number of other advantages, such as, better sound quality”, explained Scartel's press service. “Another advantage of VoLTE is high speed of connection: the call is sent within 2 seconds compared with 8-10 seconds in current 2G/3G networks.”

Yota CEO Egor Ivanov emphasized that VoLTE will allow MVNO operators using Scartel network to provide their subscribers with complete package of services, including both data transfer and voice calls. However, at this point, there is only one MVNO using Scartel's network – MegaFon, and both companies make part of Garsdale holding. Scartel failed to bring in other large operators as the latter were dissatisfied with terms of connection and tariffs proposed to them. ❖

## ❖ Satellite Internet is Burgeoning

Russian market of retail satellite broadband services is booming. In the period from January to June 2013, the number of subscribers to satellite broadband was up by 60.7% to 4,671. With that, combined broadband subscriber base has been declining, while to the contrary, two-way broadband segment has been growing.

These are the findings of a study conducted by ComNews Research which analyzed subscriber bases of the following satellite broadband service providers: Altegrosky, GXSat, HeliosNet, StarBlazer, Viscom, KA-Internet, Iskra Design Bureau, Raduga-Internet, RuSat and Teleport-Service.

According to the study's results, three operators had a bigger gain in subscribers compared with other market players. These are Altegrosky (up from 1900 to 2650 subscribers), RuSat (up from 0 to 825) and HeliosNet (up from 200 to 270). Their competitors combined gained just 119 new subscribers in the first half-year 2013, taking their total subscriber base up to 926.

These figures confirmed the forecast made by ComNews Research earlier, that interest in combined satellite broadband services was going

to decline. This decline is associated with increasing fixed optical coverage in remote areas of the country and reduction in the cost of two-way satellite access. As a result, the number of subscribers to combined satellite broadband services decreased by almost 5,000 users and is now approximating the 50,000 threshold.

In contrast, two-way satellite broadband is becoming increasingly interesting not only to legal, but also to physical persons. The launch of KiteNet project by RuSat in March 2013 gave it yet another impulse as it set a new price bar for user equipment making it comparable with the price for satellite television user kit.

"It is evident that this year has kicked off rapid growth in the segment of two-way satellite Internet for private users. This is due to the fact that cost of equipment decreased to the lowest level compared with the previous periods", agrees with ComNews research Deputy General Director for commerce of RuSat LLC Svetlana Shabalina. CEO of Altegrosky Group Sergey Pekhterev and media relations department of HeliosNet also agreed with these conclusions. ❖

## ❖ MegaFon's Subscribers Choose 4G

Over the last 7 months, MegaFon North West 4G network traffic was up by more than 1.5 times. Interestingly, average user-downloaded traffic in MegaFon's 4G network is 7.5 times larger than traffic volume downloaded by users of previous generation networks.

"This year, we have offered our subscribers enhanced access to new generation high-speed mobile Internet. Users of 4G now have

a lot more Internet options. The choice of 4G devices was also expanded significantly. Besides, it is the pace of life itself that keeps accelerating, so speeding things up, including online experiences, isn't a mere wish, it's a necessity for more and more people", commented on the latest results MegaFon North West's B2C business development director Sergey Protasov. ❖

## ❖ Russia Holds 1% of Global LTE

As of the end of July 2013, there were 184 active LTE networks in the world, some 150 of which had been launched into commercial operation. 159 more networks are in the planning or construction stage.

The figures were spread by British research firm Informa Telecoms & Media and the association of telecommunications service providers and manufacturers 4G Americas.

According to Informa's forecast, by the end of 2018, the number of users of LTE networks in the world will reach 1.36 billion. 90 operators in 53 countries have either already launched or plan to commission LTE networks in the 1800 MHz band before 2015 r. This second category allegedly includes companies such as Vodafone, Orange and T-Mobile.

Last year, the 1800 MHz has become drastically more popular among operators due to the wide coverage it provides along with the opportunity to use the frequency already employed by operators.

According to Informa, 40% of all contracts for equipment supply were landed by the Chinese Huawei, 34% - by Ericsson from Sweden and 17% - by the Finnish NSN - 17%. Alcatel-Lucent, ZTE, Samsung and NEC combined received 9%.

J'son & Partners Consulting reports that in 2012, 4G subscriber base in Russia was 850,000. This is less than 1% of total global market, and moreover, 99% of Russian subscribers are accounted for by Scartel and MegaFon – the two monopolies in the market. In 2012, the share of Scartel LLC (Yota brand) in the Russian LTE market was 81%. MegaFon OJSC held 18%, and another member of the Big 3 operators – Mobile TeleSystems (MTS) OJSC held only 1%.

One of the key constraining factors for the LTE in Russia, analysts claim, is restricted competition and, consequently, high tariffs for LTE services. ❖

## ❖ Wi-Fi Will Help Students

Until the end of the year, dormitories of Moscow universities and colleges will be provided with free Wi-Fi, promised acting city executive Sergey Sobyenin pending the upcoming mayor elections. Moscow City Government will bankroll the project by providing subsidies to higher education institutions so that they could buy traffic. There are about 200 dormitories in Moscow accommodating some 150,000 students.

Acting mayor of the Russia capital Sergey Sobyenin communicated about the initiative for free Wi-Fi in dorms yesterday at the Moscow City Government meeting. "We have made a decision that all higher education institutions should have free Wi-Fi. The City Government will

allocate a subsidy for this, so that all kids will be able to use the Internet and study materials and have the same opportunities as local-born students who live in their own flats", Sobyenin said.

A member of media service for the Moscow Government IT Department specified to ComNews that they will draw up the complete list of project participants any time soon, and then there would be certainty about the volume of subsidies. At the first stage of the project, which the City Government is planning to launch in September, Wi-Fi hotspots will be set up in 10-15 educational facilities. ❖

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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.

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.

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500 clients including major Russian and international ICT companies

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

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## Contacts

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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>