

Russian Satellite
Communications Company

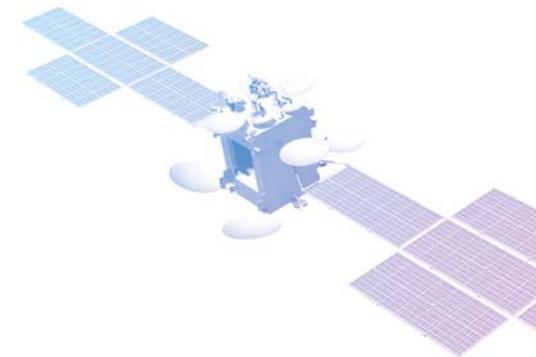
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Russian Satellite
Communications Company



The World is United
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❖ RBC-TV Launches ‘Space Technologies: New Solutions’ TV Show

The guests to the studio on the premier night were Deputy General Director for Innovations of the Russian Satellite Communications Company (RSCC) Evgeny Buydinov, Head of Commercial Department of NPO SvyazProekt Sergey Lesnov, CEO of Altegrosky Sergey Pekhterev and Head of Astrium in Russia Vladimir Terekhov.

The discussion was broadcast live and dedicated to the outlook in the market of satellite communications and digital broadcasting in Russia, and the upcoming conference SATCOMRUS 2013 in Dubna, Moscow region, which will take place on October 16-17, 2013.

Live broadcast of RBC-TV is available online: <http://rbctv.rbc.ru/live> ❖

❖ MegaFon and VimpelCom to Upgrade 3G

While 4G mobile networks are still far from running at full capacity in Russia, 3G networks are heavily overloaded. For this reason, the second- and third-biggest cellular operators in subscribers MegaFon and VimpelCom, respectively, are investing into upgrade of their 3G.

Until the end of the year, MegaFon will pour over \$155 million into modernization of its 3G network countrywide, said company’s spokesman Roman Sokolov. The upgrade will affect more than 10,000 base stations in Moscow, St. Petersburg, Novosibirsk, Nizhni Novgorod, Samara, Krasnodar and Sochi. Mobile traffic is expanding at a fast rate, and as network load stretches, it becomes impossible for the operator to increase data transfer rate, Sokolov explained. Equipment upgrade will allow to step network throughput up by 45%, and double mobile Internet connection speed during peak traffic periods.

Until the end of last year, MegaFon was the leader in the number of 3G base stations and, therefore, could provide the highest quality of mobile Internet access. But by December 2012, Russia’s cellular operator with the largest subscriber base MTS caught up with MegaFon, and even surpassed it. MTS’s reports say that as of the end of 4th quarter 2012, they had 28,500 3G stations, while MegaFon only had 28,100.

VimpelCom’s strategic investment program is also focused on modernization and expansion of 3G network, communicated company’s spokesperson Natalia Tashkeeva. 3G traffic doubles almost every year, she explained, and therefore, a substantial part of company’s investments is poured into expansion of network throughput. The operator disclosed no precise figures, but this year VimpelCom will be making the largest investment over the past 10 years – 22% of its revenue. ❖

❖ Tele2 to Reach Moscow

Tele2 may soon turn into a federal cellular operator and launch broadband Internet services with help of Rostelecom. On September 25, the material subsidiary of Tele2 Russia – St. Petersburg Telecom was granted MVNO license for the entire territory of Russia, as follows from the register of licenses on the website of the Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications (Roskomnadzor). Tele2 must launch services not later than two years from now. Regional subsidiaries of Tele2 were granted the same licenses in their regions of presence.

A spokesperson for Tele2 Konstantin Prokshin confirmed that they received a federal and 17 regional MVNO licenses, but he wouldn't

elaborate on the specific networks. He assured that these licenses allow Tele2 to set up an MVNO with any operator and using any technology.

Rostelecom is currently looking for partners, and has already started negotiations for MVNO with several service providers, communicated company's CEO Sergey Kalugin. According to a source in Rostelecom, they have come the closest to agreement with Tele2 for a mutual MVNO pact in St. Petersburg: Rostelecom holds an interest in Tele2's GSM network, while Tele2 would like to gain access to Rostelecom's 3G network.

The federal license for MVNO brings Tele2 closer to the company's two long-aspired goals: get into the Moscow market and launch broadband services. ❖

❖ Operators Weaving a Common Net

Russian cellular operators may be allowed to build GSM (2G) networks for RAN sharing, i.e. use each other's infrastructure. Operators will be able to cut costs on base stations and other equipment, but they insist that RAN sharing should also be taken into LTE (4G).

Public hearings on the order of the Ministry of Communications and Mass Media introducing amendments into guidelines to using cellular GSM 900/1800 (2G) base stations and retransmitters ended in the beginning of October. When deploying cellular networks, especially in underpopulated and remote areas, operators have problems with recovering construction and operating costs of base stations. This can be solved through RAN sharing, which allows to reduce costs for each of the operators sharing the radio access network. The order is due to take effect in the first half of 2014, the Ministry specified.

Cellular operators have been asking the Ministry to allow RAN sharing for a long time. However, their primary goal was to have it authorized for LTE. Thus, last autumn the LTE Union (MTS, MegaFon, VimpelCom and Rostelecom) proposed the Ministry of Communications and Mass Media to set up a separate legal framework for the use of spectrum: frequency bands should be assigned not to one company, as it is done today, but to several at once. At the same time, the LTE Union suggested that shared use of spectrum should only be possible for the operators which hold the same frequency rights and licenses in other bands as well. This would allow the Big Four, which was awarded frequency for LTE networks across Russia in summer 2012, to resolve the problem of limited resource in the lower band. ❖

❖ Rostelecom Will Upgrade Mobile Networks

Rostelecom concluded a 3-year contract with Ericsson for supply and upgrade of software for its mobile network through the vendor's software base subscription service (SBS).

According to the press-service of Rostelecom, late September the company's CEO Sergey Kalugin and head of Ericsson Hans Vestberg signed a contract in Moscow for online update of mobile network solutions and extended tech support.

"The contract envisages installation of latest versions of software base and on-going update for the existing Ericsson equipment and all future upgrades. The agreement applies to

mobile networks of Rostelecom and its subsidiaries", says operator's press release.

According to a source in Rostelecom, the company will be able to update the entire software base on their mobile network pretty much in the online mode for a fixed fee (previously, each upgrade needed a separate contract). The amount of the contract was not disclosed.

"Ericsson is one of the major vendors of equipment and solutions for our 3G network, so we went for "all-in-one" procurement scheme. It makes sense, because only Ericsson can upgrade Ericsson's solutions", explained a representative of Rostelecom to ComNews. ❖

❖ LTE Gaining Momentum

As of early September, there were 212 LTE networks operating in 81 countries of the world. Network connections reached 20 million. The leaders both in reach and connections are the USA, the Republic of Korea, Japan, Australia and Canada. And more than 90% of the market is controlled by 3 vendors: Huawei, Ericsson and Nokia Solutions and Networks, communicated MForum analyst Alexey Boiko at a round table organized by Amdocs. According to him, the number of TDD-LTE commercial networks worldwide has reached 21. By the beginning of 2014, the number of connections may reach 8-10 million, and the market is expected to rocket in 2014. The pioneers in TDD are China, India, Australia and the USA.

3 vendors set the tone in TDD: China's Huawei (40%), Sweden's Ericsson (34%) and Finland's Nokia Solutions and Networks (NSN; 17%). According to Informa Telecoms & Media consultancy, other four vendors, including Alcatel-Lucent, ZTE, Samsung and NEC, have a combined share of 9%, while the share of the remaining manufacturers is virtually insignificant. Regional Vice President of Amdocs in Russia and CIS Oleg Volpin assumed that such market dynamics may see the market reduced to three big vendors only.

In August 2013, out of 1064 marketable LTE user devices 360 were smartphones, 332 – routers, 157 – USB modems, 97 – modules, 79 – tablets, 30 – lap tops. According to the analyst, the highest rise is expected in 4G tablets. ❖

❖ 2G Operators Will Be Allowed to Build LTE Networks

The nearest meeting of the State Commission for Radio Frequency (STRF) may allow building LTE (4G) networks on the 1800 MHz frequencies which are currently used for GSM (2G). Regional carriers, including the largest among them – Tele2 Russia – have been pleading for that for a long time, and it may come in especially handy for Tele2 Russia which may soon be sold to the organizations controlled by Yuri Kovalchuk's Rossiya Bank.

At a meeting in mid-October, SCRF is going to address the matter of using 1710-1785 MHz and 1805-1880 MHz bands in LTE networks, as follows from the Commission's agenda. According to a source aware of the SCRF's plans, the operator earlier awarded the 1800 MHz band for GSM, may be permitted to use this resource for rolling

out LTE in a particular region based on the conclusions of the examination of electromagnetic compatibility. "The carrier issued a permit will have to build LTE networks in 40% of inhabited localities of the region with population over 10.000 in the first year, then expand its reach up to 70% in the second year, and up to 100% - by the end of the third year", said the source in the Commission.

"Thus we can increase flexibility in planning and promote competition as carriers which currently don't have frequency allocated for this technology, will also be able to deploy LTE networks. And our citizens will have high quality and affordable communications", according to the Ministry of Communications and Mass Media, these are the advantages of building LTE networks on GSM frequency. ❖

❖ Tariffs for Broadband in Moscow Cut

For the first time in years, tariffs for broadband services in Russia started going down: Moscow City Telephone Network (MGTS) cut down monthly subscription fee for broadband services by 17-33%. MGTS lowered tariffs for GPON Internet services (connection through optical channel) with data rates 50-200 Mbs. The speed up to 50 Mbs will cost subscribers to unlimited voice services \$12.4 instead of \$15.5, up to 70 Mbs – \$18.6 instead of \$22.3, as follows from the operator's statement

MGTS's subscribers to connection speed over 70 Mbs, will get a free set-top box and a package of TV channels. Separately, subscription to pay-TV and the lease of set-top box cost customers

\$5.5 per month, adds a spokesperson for MGTS Tatiana Martianova. According to her, high-speed broadband rates were lowered by 17-20%, but those who use telephone, TV and Internet altogether, may enjoy a discount of up to 40%. She added that the company didn't simply reduce prices, this is part of package service management aimed to increase the number of subscribers to several services provided by operator, rather than only one. Only the customers who already have or plan to connect a telephone number in MGTS network or high-speed Internet (from 70 Mbs and up) will be eligible to a discount. In Moscow, MGTS has about 4.5 million subscribers to telephony and Internet services. ❖

❖ Olympic Wi-Fi Will Have a Price

No free Wi-Fi will be available for spectators attending Winter Olympic Games 2014 in Sochi. Rostelecom, the only operator entitled to provide this service at the Olympic facilities, will make it free only for the media, ComNews was told by a representative of Rostelecom – the official telecom partner of the Winter Games along with MegaFon. But Rostelecom holds exclusive rights for Wi-Fi at the Olympic facilities.

“Rostelecom’s obligations associated the Olympic partner status do not envisage free Wi-Fi services at the Olympic facilities for spectators”,

explained Rostelecom’s press service. “The company will provide free Internet access over 10Mbps Wi-Fi only to the media.”

Offering free Wi-Fi to the wide public is commercially and technically inexpedient, explained to ComNews Head of Sochi 2014 project at Rostelecom Stanislav Borodin: “This project can create technical hurdles, since it can have an adverse effect on radiotechnical equipment used in the Games – cameras, radio, etc. operating in their respective frequency bands”. Wi-Fi will be available to spectators for a fee. ❖

❖ MegaFon to Expand Yota

MegaFon will retain Yota brand after the operator closes acquisition of Scartel. At the same time, Scartel customers will receive access to a wide range of new services in 2G and 3G network. However, the company didn’t disclose how exactly they are going to divide LTE services.

The news was voiced by MegaFon’s Executive Director for Consumer Business Mikhail Dubin. According to him, the company has an understanding of how they are going to integrate Scartel, but “disclosing the business strategy isn’t always a wise thing to do”.

Dubin mentioned that the operator was expecting substantial savings on capital and operating costs since in new regions only MegaFon will be doing construction for 4G network. At the same time, the company’s management isn’t going to revise downward the investment forecast for the year 2013: “We need to maintain demand for data services by pouring investment into network growth.” ❖

❖ Wi-Fi Will Sprawl Across the Metro

Free Wi-Fi will become available at all lines of the Moscow Metro by December 2014, reported the press service of the Department of Transport and Road Infrastructure Development of the Moscow City Government. This December, the Moscow Metro will finalize trial period of Wi-Fi in the Ring line and one radial line station and put it into routine operation.

The project for free Wireless access to the Internet in the underground was launched on September 1, 2013. According to the Department of Transport, since then more than 250,000 commuters have connected to the free Wi-Fi network. ❖

❖ SCRF Arguing on 4G in Villages

The consensus panel prior to the meeting of State Commission for Radio Frequency (SCRF) was marked by various stands against the initiative of the Ministry of Communications and Mass Media which sees to oblige operators willing to build LTE networks (4G) in the 1800 MHz band to ensure coverage in localities with population over 500 people. The authorities which came out against the initiative included the Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications (Roskomnadzor), Federal Antimonopoly Service, Ministry of Economy and Ministry of Defense. According to them, SCRF has no power to impose such

obligations. Roskomnadzor has confirmed this information. In the middle of October, SCRF may authorize operators awarded the 1800 MHz frequency for 2G to also use it for 4G networks. Initially, the proposal was to oblige operators willing to use this opportunity to provide coverage in all localities of a particular region with 10,000 residents and more within a five year period. However, the Ministry of Communications and Mass Media proposed more severe obligations: an operator will have to roll out LTE networks covering all localities with population over 500 people across all regions where it holds licenses for the 1800 MHz frequencies. ❖

❖ Rostelecom Has Chosen Wire

The new company strategy which Rostelecom will present to its shareholders in the end of October sees to drop independent development of wireless assets. Rostelecom wants to focus on wired business and content, and develop mobile networks through a partner. Tele2 Russia can become this partner, confided to the media Rostelecom CEO Sergey Kalugin. “Our main business is wire, we get 90% of our revenue from wire services – broadband access, IPTV and etc. So we count on fixed-line broadband, meaning that we will upgrade fixed services, and at the same time we are looking for partners to develop our mobile business with”, he explained.

Previously, Rostelecom wanted to expand into a wireless broadband operator. The carrier has 45 GSM licenses (held by Rostelecom’s

subsidiary – Sky Link, a CDMA operator), 6 GSM licenses won through a tender held by Roskomnadzor in 2011, 2.3-2.4 GHz frequency in 39 regions of Russia and also the frequency obtained through a tender for LTE. At the end of 2nd quarter 2013, Rostelecom had 13.8 million mobile subscribers in 59 regions of Russia. Last year, the company launched 3G services, mainly focusing on the regions where they already have GSM networks, and currently 3G from Rostelecom is available in 22 regions of Russia. Finally, the carrier plans to launch 4G networks in at least 5 regions of Russia until the end of the year. “Building up mobile networks on our own would be both difficult and expensive. For this reason, we are considering different partnership options”, Sergey Kalugin said.



About Us

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