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# Broadband & Satellite Russia Newsletter

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## Contents

<b>TTK Goes For Wi-Fi . . . . .</b>	<b>3</b>
<b>New Tenders For Satellite TV . . . . .</b>	<b>3</b>
<b>Taking Internet Deep Into The Province Will Cost \$4 Billion . . . . .</b>	<b>4</b>
<b>Big Four Will Launch 4G In Crimea . . . . .</b>	<b>4</b>
<b>At The Cutting Edge Of LTE. . . . .</b>	<b>5</b>
<b>Russia On The Brink of 4G Boom . . . . .</b>	<b>5</b>
<b>4G Base Up By 11 Times . . . . .</b>	<b>6</b>
<b>Roskomnadzor Seeks Frequency In Crimea . . . . .</b>	<b>6</b>
<b>Entry Fees Up By 7 Times. . . . .</b>	<b>7</b>
<b>Start Telecom To Quit The Backbone . . . . .</b>	<b>7</b>
<b>VimpelCom Tested VoLTE. . . . .</b>	<b>8</b>
<b>Tele2 Ready To Take On . . . . .</b>	<b>8</b>
<b>Moscow Payphones Will Source Wi-Fi . . . . .</b>	<b>9</b>
<b>MTS Won't Give Up 3G . . . . .</b>	<b>9</b>
<b>NIS Seeks To Raise \$152 Million . . . . .</b>	<b>9</b>
<b>Operators Will Tender 2.5–2.7 GHz LTE Frequency . .</b>	<b>10</b>
<b>Moscow Metro Is Going Wireless . . . . .</b>	<b>10</b>
<b>About Us. Contacts . . . . .</b>	<b>11</b>

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**TTK Goes For Wi-Fi**

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One of Russia's largest telecommunications operators TTK Company and system integrator OM-ID, which specializes in wireless technologies for corporations and industries concluded an agreement on strategic partnership to develop Wi-Fi networks.

The partners will offer corporate clients all across Russia a complex solution of telecommunications infrastructure for large-scale real estate units: industrial facilities, banks, shopping and business centers, government buildings, educational establishments. TTK Company, which counts with a state-of-the-art fiber optic infrastructure, will plug

the buildings to high speed and quality channels, while OM-ID will provide them with turnkey wireless networks of any size.

"Wireless technologies are booming in all business areas, making it possible to build multi-functional and cost-effective telecom networks. However, reliable and high quality external wire channels provided by TTK are critical for a wireless network. The partnership with OM-ID will allow us to offer broader options of telecommunication technologies to our customers, and as a result, they will be getting the best solutions tailored to their business", commented Oleg Leonov, TTK's Head of Sales and Service. 


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**New Tenders For Satellite TV**

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Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications (Roskomnadzor) resumed the bidding for the right to render satellite TV services, which was suspended earlier this year. But now the authority decided to put up two tenders instead of one. But the list of potential bidders is still wider than that: Rostelecom, MTS, along with the existing satellite operators which offer services under the brands Tricolor TV and Raduga TV may all decide to tender.

Roskomnadzor published on its website the announcement on the biddings for 24/7 television broadcasting in the 17.3-18.1 GHz and 11.7-

12.5 GHz bands using the transponders of ABS-2 satellite. The two tenders will allot the rights to broadcast on 9 and 4 transponders – devices used to transfer the received signals. The one-time fee will amount \$2.5 million in the first tender and \$1.1 million in the second, while tender contribution was set at \$50,000 and \$20,000, respectively. Only holders of a broadcast license are eligible to bid. The winning bidder is expected to propose "overall the best concept of shaping and distributing TV packages, and its feasibility study." Tender applications will be admitted until April 29, while the results of the tenders will be drawn on May 28. 

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## ❖ Taking Internet Deep Into The Province Will Cost \$4 Billion

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In four years, a consortium of telecom operators may lay 150,000 km of fiber optic lines.

Cables needed for broadband Internet in small Russian towns may be laid along the roads. Russian Ministry of Communications has approved the project for integration of backbone telecommunication networks into the highway infrastructure, developed by the Agency for Strategic Initiatives (ASI).

In November 2013, at a forum held in the headquarters of the World Bank in Washington, DC, head of Russian Ministry of Communications and Mass Media Nikolay Nikiforov said that “Russian ICT revolution

will be possible through consistent introduction of broadband services into towns and small towns with population over 500 people within the next few years”. According to the Minister, it will allow to take broadband penetration in Russia up from current 55% to more than 90% in the 2018 perspective. CEO of ASI Andrey Nikitin communicated in a letter to Nikiforov that at a meeting held in his organization, representatives of Rostelecom, TransTeleCom, MTS, VimpelCom, MegaFon, SMART and the Association of Regional Telecom Operators affirmed the need to lift legislative barriers which deny operators access to road infrastructure facilities. ❖

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## ❖ Big Four Will Launch 4G In Crimea

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The Big Four Russian mobile operators (MTS, MegaFon, VimpelCom and Tele2 Russia) are going to develop 4G networks in Crimea, communicated Deputy Head of Roskomnadzor Oleg Ivanov. “Operators are committed to developing the fourth generation networks, they all want to do it”, he said in an interview to ITAR-TASS. “If the frequency is currently free, they are welcome to apply. The entire Big Four have a right to do it. They are currently deciding whether they are going for it or not. It will be every operator’s individual decision.”

According to Ivanov, so far none of the operators has filed a corresponding application to the authority. Deputy Head of Roskomnadzor also added that mobile operators which already work in Crimea have nothing to worry about. “At this point, our priority is to ensure consistency of services rendered to the population and not harm the local business”, Ivanov stressed.

Press services of Mobile TeleSystems (MTS), MegaFon and Tele2 Russia were not available for comments. ❖

◆ **At The Cutting Edge Of LTE**

The primary Russian conference of leaders of new generation mobile technologies – 6th International Business Forum LTE Russia & CIS’ 2014 will be held in Moscow May 20-21 under the aegis of 3GPP. Amid the countdown to the full-scale launch of LTE networks in Russia, the conference will bring together all leaders of the Russian mobile broadband market. Two days of the forum will see more than 50 speakers deliver their reports to delegates from more than 50 companies, along with expert panels and round tables meant to discuss all hot technology and business topics related to LTE, as well as fifth and sixth generation mobile communications in Russia and abroad.

Apart from leading global center of LTE competence – 3GPP, the Russian forum was endorsed by the GSM Association (GSMA), which unites more than 800 mobile operators from 220 countries. Samsung Electronics will be Platinum Sponsor of the event, Mavenir – supplier

of software and solutions for mobile IP services – was awarded the status of Bronze Sponsor. The Forum also counts with the support of the LTE Union, Wireless Ukraine Association, and many others.

The forum in Moscow will touch upon all questions of the hour related to LTE and 5G services. Namely, several reports and discussions will be dedicated to practices of frequency release and use for the development of LTE technology in Russia. The gathering will be presented a variety of opinions on the distribution of “second digital dividend”, along with a summary of spectrum conversion results and the first year of LTE expansion in Russia.

Head of 3GPP Mobile Competence Centre Adrian Scrase: “LTE Russia & CIS is an annual workshop dedicated to the advancement of the technology. I’m proud that we have been supporting this event since the day it was established.”

◆ **Russia On The Brink of 4G Boom**

Share of smartphones supporting fourth generation communications (4G, LTE) among all smartphones sold in Russia has doubled over the past year, but so far, it hasn’t affected operators’ revenue.

MTS reported that in Q1 2014, share of LTE smartphones sold in Russia reached 12.7% in volume terms, against 6.4% last year. Q1’s figures released by Svyaznoi are even higher – 15% (up by 7 p.p.

against the same period of 2013). Evroset estimated the share of LTE smartphones at 12%. One of the drivers of the demand for fourth generation smartphones is their price decline: over a year, average price for such devices was down by almost 30% to \$633. Another factor was extension of product range. Finally, 4G smartphones are becoming more and more popular as LTE services start to expand Russia-wide.

## ◇◇ 4G Base Up By 11 Times

North Western branch of MegaFon has drawn the results of its 4G network operations. In Q1 2014 data traffic in the 4G network was up by more than 5 times, compared with the same period last year. Over

the past year, MegaFon's 4G subscriber base has risen by 11 times. In Russia, MegaFon provides 4G services in 51 regions with total population of about 55 million people. ◇◇

## ◇◇ Roskomnadzor Seeks Frequency In Crimea

Roskomnadzor will check whether there is any free frequency in the Crimea which could be used by Russian operators. Companies, which worked in the peninsula before its annexation to Russia, will retain their licenses.

Roskomnadzor initiated a thorough analysis of license situation in the Crimea and the city of Sevastopol, said a spokesperson for the authority, and confirmed a source in the Ministry of Communications. According to both sources, the regulator wants to figure out if there is any untaken frequency left in the region, and if its size is enough to be put up for tender. If the authority finds any, it may tender frequency for 3G and 4G services. However, pointed the official from Roskomnadzor, this far it isn't clear whether Russian operators will actually be interested, since Ukraine uses different mobile standards, such as CDMA-800.

Operators, who work in the Crimea and Sevastopol today, won't lose their frequencies, promised Roskomnadzor official. It follows from

the constitutional law "On admission of Republic of Crimea into the Russian Federation" signed by President Putin on March 21, 2014. The law says that most authorization documents (including licenses), issues by state and other official bodies of Ukraine and Sevastopol, will remain valid in the Republic of Crimea and city of Sevastopol, "without limitation as to period of validity and validation by Russian government authorities". The only exception applies to banking licenses.

However, the fate of non-resident companies remains dim, revealed our source in Roskomnadzor. Pursuant to the Russian law, they may not hold licenses in our country, which is allowed in Ukraine. For instance, the majority stake in the Ukrainian operator Astelit, which works in the Crimea, is Turkish Turkcell, and Roskomnadzor will need to decide what to do about their license, said the spokesperson for the authority. ◇◇

## Start Telecom To Quit The Backbone

MTT Group will sell the backbone business and infrastructure of its subsidiary – Start Telecom OJSC. Start Telecom will focus on broadband and cable TV services, ComNews was told by a source from the backbone market. MTT Group's Director of Corporate Communications Anna Boyko confirmed the news.

“Last year, we declared that MTT Group's strategy envisaged to focus on fast growing markets and building a long-term product

portfolio in the breakthrough areas, namely, IP telephony for individuals and SME, international VoIP traffic exchange, MVNO, broadband and cable TV services, intelligent services, cloud services for telecom operators”, she explained. “The businesses which don't stay in line with these objectives will be either reorganized or sold out.”

## Roscosmos Wants To Export GLONASS

Russian Federal Space Agency (Roscosmos) submitted a proposal to the Government concerning a global project which would involve China, India, Brazil and the Republic of South Africa. The aim of the initiative is to export GLONASS technologies to all foreign markets which are important to Russia and roll out the infrastructure of the global high-precision navigation system in the BRICS countries.

“Russia will develop, manufacture and allocate instrumentation stations in Brazil, India, China and South Africa”, explains Deputy Head of Roscosmos Anatoly Shilov in an explanatory note sent to the Government. “These countries will provide sites for the stations, power supply, telecommunication channels, and etc. without charge. The

BRICS countries will jointly develop and manufacture facilities for high-precision navigation.”

According to Roscosmos' plan, the BRICS countries will assign organizations, which will form an international commercial consortium. Having tested the systems developed, the consortium will devise a business plan for high-precision navigation services and will start marketing them in BRICS and elsewhere.

“The project will allow Russia to roll out instrumentation stations on different continents at minimum costs”, argues Shilov. “Other BRICS countries will get high-precision navigation services for next to nothing. They will be able to use them to develop their national economies and sell services to other countries.”



❖ **VimpelCom Tested VoLTE**

VimpelCom is the last of the Big Mobile Three to test Voice over LTE (VoLTE) technology. The trial was conducted in Moscow on Huawei equipment. VoLTE allows making voice calls, transferring video and SMS messages in 4G networks without switching to 2G/3G. The advantages of the technology are faster connection setup and high sound quality.

In Russia, voice and SMS services in 4G networks are enabled using CSFB (Circuit Switched FallBack) technology whereby voice and SMS services are delivered to LTE devices through the use of GSM or another circuit-switched network. But at the end of the call the device switches back to LTE, which can lead to delays in connection setup and inefficient use of network resources, communicated VimpelCom's press service. However, due to low market availability of VoLTE devices, the

company isn't yet ready to specify when the new technology will be introduced into commercial service.

"I hope that in terms of LTE, Russian operators' gap from global leaders will be reduced to minimum, and we will avoid reoccurrence of years-long gap in 3G. And the reason to that is harsher competition", said in an interview to ComNews President of the Association of Regional Telecom Operators (ARTO) Yury Dombrovsky. According to him, the new technology is phenomenal, as it "takes less frequency resource, but delivers higher voice quality and full compatibility with file and image transferring". Global evidence shows that its introduction allows operators to raise ARPU, and this is what counts first and foremost", concluded Dombrovsky.

❖ **Tele2 Ready To Take On**

The first 3G network under brand name Tele2 will be launched in St. Petersburg towards the year end. By 2018, the operator hopes to take over third place in Russia in terms of subscribers and revenue, and in the 5-7 year perspective they aim to raise their market share to 25%, said Deputy CEO of Tele2 Russia Jerry Calmis at a press conference in Moscow. A member of company's press service was more specific and unveiled that the network in the Northern capital

was actually built by Rostelecom, and was appropriated by Tele2 Russia through a joint venture – T2 RTC Holding. As of early April, it catered to about 50,000 subscribers.

Integration of Rostelecom's mobile assets assumes their rebranding to Tele2, which will be completed in Q3-Q4 2015, explained Jerry Calmis. However, at this point the company isn't giving up Skylink brand, which Rostelecom used for its CDMA services.



## ❖ Moscow Payphones Will Source Wi-Fi

Moscow payphones may be turned into Wi-Fi hotspots, communicated a member of Moscow IT Department Elena Novikova.

The new payphone allocation scheme assumes to extend their functionality with Wi-Fi Internet, payment terminal, replenishment of transport cards and car payment terminals. With that, the number of payphones will be reduced by at least half from the existing 1,500 units.

According to Novikova, the new scheme will be approved in May, and by summer prefectures will have tendered the right to put up payphones

in the streets of the city among telecom operators. Under the tender terms, the winner will pay the rent as per tariffs of Moscow Department of Economic Policy.

“The investor will cover the expenses on more sophisticated devices through communication services, payment services and advertising. The city doesn’t plan to pay the operator for Wi-Fi traffic”, added in the Moscow IT Department. ❖

## ❖ MTS Won’t Give Up 3G

LTE, the most advanced communications standard, which allows for Internet speeds exceeding 100 Mbps on mobile devices, is supported by only every seventh smartphone sold in Russia, and for this reason operators continue to invest into previous generation networks. Since the beginning of 2014, Russia’s largest mobile service provider MTS has poured about \$20 million of investment in order to boost its 3G networks.

“3G networks today still have a lot of potential, there is room for growth and for investment. So I understand MTS’ strategy”, says Partner at AC&M-Consulting Anton Pogrebinsky. “As for the declared data rate of 63 Mbps, it sounds like a peak which can only be achieved in ideal conditions.” ❖

## ❖ NIS Seeks To Raise \$152 Million

JSC Navigation Information Systems (NIS), system integrator for GLONASS satellite technology adoption projects in Russia announced a follow-on public offering worth \$152 million. The decision to issue 90,000 additional shares was made at the extraordinary general meeting, says the company’s release. NIS’ Board of Directors fixed the offer price at \$1,700 per share.

In case the additional issue is fully placed, NIS’ equity capital will rise by 6.5 times. Currently it is divided into 16,340 shares with a par value of 1,000 rub (about \$27.8).

NIS’ controlling shareholder is Vladimir Evtushenkov’s Sistema JSFC (70.01%), while the remaining 29.99% is held by Russian Space Systems OJSC. Shareholders will be given preemptive rights to purchase the newly issued shares. ❖

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## ❖ Operators Will Tender 2.5–2.7 GHz LTE Frequency

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State Commission for Radio Frequency (SCRF) may put up for tender frequencies in the 2.5–2.7 GHz band, which is suitable for LTE (4G) services. Bidders will combat for one 20 MHz lot Russia-wide, excluding Moscow, Moscow region, Crimea and the city of Sevastopol, and another 20 MHz lot in 81 regions of the country. Operators fear that the tender terms will be arranged to play into the hands of MTS and Tele2 Russia.

According to market players, the prime contender for the first lot will be MTS, because SCRF will recommend Roskomnadzor to prefer the

bidder which will be able to arrange for voluntary early termination of 2.5-2.7 GHz band being used by MMDS (wireless TV) radio-electronic facilities. Most active MMDS operators belong to MTS. “This being the case, the winners seem preordained: it appears that this project was put together in favor of Tele2 Russia and MTS. It is a violation of the principle of equal right for frequency allocation”, commented a source in one of the large operator companies, outraged. ❖

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## ❖ Moscow Metro Is Going Wireless

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Now that four Moscow metro lines are connected to the Internet, Maxima Telecom operator has completed the first stage of rolling out free Wi-Fi services in the Russian capital’s underground. The company intends to launch free Wi-Fi network at four more lines throughout Q2 and Q3. In August 2013 – March 2014 Maxima Telecom has built the required infrastructure at Kakhovskaya, Koltsevaya,

Kalininskaya and Sokolnicheskaya lines of the Moscow metro, says operator’s press release.

“Implementation of the first stage of network construction confirmed that the technology we created is effective and ideal for this project. At this point, it is safe to say that all potential technology-related risks have been eliminated, and network operation is stable on all four metro lines covered”, said CEO of Maxima Telecom Boris Volpe. ❖

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

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