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Contents

| | |
|--|----------|
| TTK Heading For Mobility | 3 |
| TTK Up In Price | 3 |
| Country Wi-Fi. | 4 |
| New Channel For Crimea | 4 |
| First Russian Mobile Network In Crimea | 5 |
| Cisco To Get Rostelecom’s Millions | 5 |
| RSCC Reached Australia | 6 |
| The Fastest-Growing Operators Account For Most Violations | 6 |
| LTE And Digital TV Booming In Russia | 7 |
| First Russian LTE 1800 MHz Network | 7 |
| About Us. Contacts | 8 |

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◆ TTK Heading For Mobility

TransTeleCom Company CJSC (TTK) is interested in Antares, which holds 4G frequencies all around Russia. However, TTK's parent Russian Railways has yet to formally approve the operator's expansion into the new market. As a result of the merger in question, Antares' shareholder Evgeny Roitman may get a minority interest in TTK, which would turn into a universal service provider.

Such transaction must be brought up to the Board of Directors of Russian Railways, which holds 100% of TTK. The matter may be handled in the beginning of July. Russian Railways' Board of Directors recently aimed to examine the deal with Antares, but it didn't happen: a discussion of TTK's revised strategy brought the Directors to the conclusion that the operator shouldn't go into the 4G (LTE) market. However, the Board line-up is about to be changed, and when it happens, the transaction will be discussed again.

TTK was set up in mid 1990s to operate Russian Railways' backbone network. In 2008, the operator introduced a new strategy and added broadband services to its backbone business. In the first quarter 2014, TTK was the fifth largest broadband provider in Russia in terms of subscribers to fixed broadband Internet access among households: 1.31 million subscribers, or 4.7% of the market.

This is not the first time TTK tries to enter the wireless market. In 2010, President of Russian Railways Vladimir Yakunin requested then

Prime Minister Vladimir Putin to allocate TTK frequencies to develop a single wired and wireless communication network, but the request wasn't satisfied. In 2011, TTK won frequencies for WiMax networks in 13 regions, and in 2012 it participated in another tender – for LTE frequencies, which were eventually granted to the Big Three mobile operators and Rostelecom. TTK has been trying to set up an MVNO with one of these companies, but this far, all negotiations have led nowhere.

Antares is one of the seven Russian companies, which were allowed to build federal LTE networks. In 2012, the State Commission for Radio Frequencies (SCRF) granted the company a permission to use the 1900-1920 MHz spectrum band to develop LTE networks countrywide. Besides, Antares has successfully litigated with SCRF, which refused to grant them the 1800-2000 MHz band for the same purpose: this May, a court of cassation ruled in favor of Antares and compelled SCRF to allocate the requested frequencies.

TTK is currently looking into wireless opportunities and return on investment, said company's President Artem Kudryavtsev in June 2014. He explained that TTK was choosing between two wireless scenarios: one was for mobile voice and data services (for instance, LTE), and the other one concerned with fixed wireless technologies, such as WiMax. ◆

◆ TTK Up In Price

In the last two years, internal valuation of TransTeleCom (TTK) went up from \$800 million to \$1.45bn. This will hardly make it easier for Russian Railways to sell its stake in TTK, at this point, investors don't seem to be interested.

According to a number of investment banks, valuation of TTK, the telecom subsidiary of Russian Railways, has reached \$1.45bn, said

company's President Artem Kudryavtsev. This value takes into account the indebtedness of about \$500 million, without which the company is valued at about \$960 million, explained a spokesperson for TTK Tatiana Semenova. ◆

Country Wi-Fi

Rostelecom, sole provider of universal communication services (UCS) from April 1, 2014, will deploy WiFi hotspots in small settlements. By the end of 2018, the network will span 13,600 such communities across the country.

Today, Internet access within UCS is provided at public access points equipped with PCs. Russian Ministry of Communications has drafted a decree introducing a new type of UCS and another decree regulating tariffs for “social WiFi”. A source in the Ministry communicated that wireless hotspots will be deployed in the communities with population from 250 to 500 persons. Users will be able to go online on their own devices supporting WiFi.

According to the draft regulations, threshold tariffs for the new service will be set by the Federal Communications Agency (Rossvy-

az), and the same authority will regulate pricing in telephone communications and public access points. Rossvyaz unveiled that WiFi tariffs will vary in different regions of the country. The preliminary plan envisages two types of tariffs, charging for either 1GB of incoming traffic per day, or 15 GB per month.

Hotspots will be mounted on outdoor communication facilities in the communities which have universal phone booths, commented Rostelecom. Meanwhile, the existing 21,000 public access points in larger settlements will continue operating. According to the operator, they still haven't decided, how village users will pay for WiFi services. But industry experts agree that WiFi hotspots are cheaper than public access points.

New Channel For Crimea

A backup communication channel is needed in order to ensure robust communications in Crimea, stated the press service of Russian Ministry of Communications and Mass Media, which also unveiled that the issue was recently discussed at a field meeting with the Crimean authorities.

The Ministry says that same as the main channel, the backup link will feature an undersea segment. Head of the Ministry suggested that the funding allocation for this project should be included into the federal target program for social and economic development of Crimean Federal District by 2020.

Part of the main communications channel (about 46km long) launched April 25, was laid on the seabed of the Strait of Kerch. “Currently operating normally, this channel provides fixed-line, mobile and Internet services in the peninsula”, reported the Ministry. According to the authority, about 1,500 corporate requests for connection to the channel have already been submitted in Crimea, and 83 users, including local government and companies, have already been connected. The Ministry also quoted its Head Nikolay Nikiforov, who claimed that Russian operators are actively investing into Crimea's communications infrastructure, so the peninsula will be covered with mobile 3G and LTE services any time soon.

◆ First Russian Mobile Network In Crimea

The first Russian operator's mobile network will soon be launched in Crimea. The most likely pioneer could be the enigmatic K-Telecom, the sole Russian provider awarded frequencies in Crimea. According to Deputy Minister of Communications Dmitry Alkhazov, an unnamed Russian mobile service provider is currently completing network construction and preparing to deploy.

Sources in two relevant authorities suggest that the provider in question is K-Telecom. Early May, SCRF permitted this company to use in Crimea the 900 and 1800 MHz GSM frequencies, currently occupied by MTS-Ukraine (Ukrainian subsidiary of the Russian MTS). Besides, it was also awarded frequencies for 3G mobile communications, market sources unveiled. The same sources assured that K-Telecom was an affiliate of MTS. Russian MTS does indeed have an eponymous subsidiary – K-Telecom Ltd., but a spokesperson for the operator Dmitry Solodovnikov assured that it never received any frequencies at Crimea from SCRF. He denied the connection of the company which will soon deploy in Crimea with MTS. A source close to MTS says that the company in question is registered in Krasnodar.

Ukrainian subsidiary of Mobile TeleSystems – MTS-Ukraine has been working in Crimea (on the frequencies issued by the Ukrainian authorities) along with a branch of Kievstar (part of VimpelCom Ltd holding). Current transitional period when Ukrainian and Russian regulations coexist will last until January 1, 2015. Neither MTS, nor VimpelCom Ltd have revealed their further plans for the peninsula. Off-the-record, both companies hinted that their maximum goal is to keep their business and good relations with both Russian and Ukrainian authorities.

As of the beginning of 2014, Crimea had 3 million mobile users (with penetration around 130%). MTS-Ukraine held the first place with 57% of the market, followed by Kievstar (21%), Astelit (16%), where Turkish Turkcell holds a 55% stake, while the remaining 45% belonged to the Ukrainian tycoon Rinat Akhmetov. Finally, 6% of the market was accounted for by CDMA-operators and Trimob 3G operator (mobile subsidiary of Akhmetov's Ukrtelecom). ◆

◆ Cisco To Get Rostelecom's Millions

Rostelecom is going to spend almost \$3 million on Cisco infrastructure for its macro-regional branch Moscow. The company will select a supplier of Cisco equipment through an open auction, as follows from the documents published on the Government procurement website. Suppliers can submit their application until July 2. The results of the auction will be drawn up by July 18.

Previously, online resource Buzzfeed.com reported, quoting two former managers of Cisco, that the American manufacturer allegedly bribed the top managers of Russian companies under disguise of discount policy. According to them, since the vendor had come to Russia, it sold the equipment worth billions of US dollars, paying dozens of millions under the table. The source claims that this practice ended in 2011. ◆

❖ RSCC Reached Australia

National satellite communications operator Russian Satellite Communications Company concluded an agreement worth \$13 million with Australian startup NewSat Ltd., which has purchased satellite capacity on the Express-AM3 satellite, recently relocated to 103 degrees East, reported RSCC's press service. The contract was signed at the recent CommunicAsia 2014 international exhibition in Singapore. The agreement will be valid for 3 years, and the leased capacity will be used to provide cellular and Wi-Fi backhaul services in the Asian-Pacific Region.

Commenting on the deal, Yuri Prokhorov, RSCC general director, said: "The agreement between RSCC and NewSat is an important milestone in the expansion of the Russian company's customer base in the Asia-Pacific.

NewSat is an Australian satellite operator, which delivers broadband and mobile services via satellite. NewSat has recently notified its investors that the company is going to cut costs and capital expenditure after it reduced sales to the military and energy sector. Nevertheless, the operator is committed to expand and has plans for new satellite launches. ❖

❖ The Fastest-Growing Operators Account For Most Violations

Since the beginning of this year, Roskomnadzor issued an aggregate of about \$1 million in fines for violation of regulations on radio frequency spectrum and the requirements to radio electronic facilities (REFs), reported Roskomnadzor's press service. Over 5 months, the authority detected 6,278 violations of REF regulations and safety requirements.

"Namely, 4,055 radio electronic facilities were operating without any permitting documents, including 1,701 (42%) operated by MegaFon OJSC; 1,159 (28.6%) – by Mobile TeleSystems OJSC (MTS); 1,146 (28.2%) – by VimpelCom OJSC, and 49 (1.2%) – by Rostelecom OJSC", says a report released by Roskomnadzor.

In March alone, Roskomnadzor detected 1,607 REFs used by the Big Three mobile operators without a certificate of registration on them. Fines for unauthorized REFs alone have already cost operators about \$257 thousand.

According to the spokesperson for Roskomnadzor, there is a correlation between operator's network growth dynamics and the number of violations related to permitting documents. "Companies find it more expedient to put base stations into operation ASAP, leaving paperwork until later, and they are not scared of fines", he told ComNews reporter. ❖

❖ LTE And Digital TV Booming In Russia

The number of LTE radio electronic facilities (REFs) has significantly increased in Russia in the first 6 months 2014. The monthly increase in LTE REFs in May was up 9.2% from April, communicat-

ed the press service for Roskomnadzor. Also, according to the same authority, the number of TV transmitters was up 5.1% compared with April. ❖

❖ First Russian LTE 1800 MHz Network

SMARTS-Kazan, a subsidiary of Tatttelecom, has launched 4G in the Republic of Tatarstan. It is the first LTE network in Russia deployed in the 1800 MHz band. Network equipment was supplied by Huawei and Ericsson, while investment into the project may exceed 2 billion rubles. The 4G network is currently available in more than 30 towns and municipal areas of the Republic, including its capital Kazan. Services are provided not only in major towns, but also in rural areas. As of June 27, 2014 Tatttelecom's mobile network encompassed 412 GSM and 228 LTE base stations. The company intends to bring these figures up to 1,075 GSM and 813 LTE base stations until the end of this year. And by late 2015, the operator hopes to have launched more

than a thousand LTE base stations, which would ensure high-quality coverage in the most part of the region.

The operator is going to pour about \$60 million into the project, ComNews was told by Alexander Smirnov, Marketing Director of Tatttelecom.

Other mobile operators are also putting a lot of effort into LTE in Tatarstan. MegaFon launched its network covering 95% of Kazan, 4 towns and the most densely populated suburbs in August 2012, and offering 4G Internet speeds of 20-23 Mbps. Subscribers of Mobile TeleSystems (MTS) received 4G network in this region from February 2014, while VimpelCom will deploy its 4G in Kazan early August. Tele2 Russia declined to comment on its plans for the Republic. ❖

About Us

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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>