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# Broadband & Satellite Russia Newsletter

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Sources: ComNews.ru, Vedomosti.ru

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## ◆ Fee-Paying Model is Coming!

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At the end of October, Oleg Leonov, Head of Sales and Service Department at TTK Company (TTK) – one of the largest national operators – spoke at the conference Russian Interactive Week (RIW) 2015: "According to the polls, in the last five years, the number of Russian households ready to pay for content increased from 2% to 10%, and the number of those which actually pay is even more – 15%. This data proves that despite the internet piracy problem, there is an emerging group of users in Russia who are ready to pay for the quality and service they receive from the leading market players".

TTK is one of the founders of the Russian Media-Communication Union (MKS), which includes the largest operators, broadcasters and producers of TV content.

Oleg Leonov also highlighted that the problem of shifting to fee-paying model in the country starts from the users' mindset. Historically, Russians are used to receiving any content for free, however, high-quality and especially unique content is hardly available free of charge nowadays.

In the meantime, the Russian government actively combats piracy. According to TTK's top manager, all this creates favourable conditions for the market's irreversible transition towards the fee-paying model. ◆

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## ◆ Rostelecom will Be Writing to the Russian Post

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The national telecommunications operator Rostelecom will take part in the Russian Post's tender for delivering the package of communications services (telephony, data transfer, telematics). The maximum contract value is \$155.6 million. The contract term is 5 years.

Rostelcom's representative explained: "The initial (maximum) contract value in the present bidding is beyond the particular limit set by the internal corporate documents of the company. Rostelecom

could participate in the bidding only with the approval of the Board of Directors. The approval has been given and we will submit an application". At the end of September 2015, the Russian Post announced that it would hold a tender for delivering the package of communications services. The bid applications will be accepted until 2 November. The bidding results will be known on 9 November. ◆

## ◆ Satellite Broadband Grows despite the Crisis

The subscriber base of the Russian DTH operator Orion Express has grown by 7% to 2.75 million households in 9 months. From July to September, Orion Express gained 48 thousand subscribers. The operator lays emphasis on the growing demand for additional services and the increasing number of subscribers who prefer long-term advance payments. The analysts praise the results of the operator's

activity. The ARPU for the budget package offered by Orion Express grew by 29%, for the mid-priced package – by 12%. The total income in the nine months of 2015 reached \$37.1 million, which is 12% more than during the nine months of 2014 (\$33.3 million). In July-September 2015, the operator's income was more than \$1.3 million. ◆

## ◆ Minsvyaz Avoided Losing Money

The Ministry of Communications and Mass Media of the Russian Federation (Minsvyaz) defended the Universal Telecom Services (UTS) development fund's budget for the current year in the amount of \$235 million. Minsvyaz earlier opposed the law on making amendments to the federal budget, signed by Russian President Vladimir Putin. According to the law, the 2015 budget for developing UTS should have been reduced by \$56 million. Speaking to a ComNews reporter on Friday, Head of Minsvyaz Nikolay Nikiforov said the following: "The Ministry managed to win back \$56 million in a project to make amendments to the federal

budget for 2015. Last week, the Russian government passed the budget amendments to the State Duma. The State Duma may accept the government's proposal, may make additional amendments," clarified Nikolay Nikiforov. According to him, if the federal budget is approved, Minsvyaz will transfer \$56 million to the Universal Telecom Services fund. "It means that the task to build optical networks in villages in 2015 will be completed", highlighted Nikolay Nikiforov. However, he predicts new "battles for the budget" in the upcoming year. ◆

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**❖ RSCC Strengthens Ties with Eutelsat**

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In the middle of October, the State Commission on Radio Frequencies (SCRF) allowed the Russian satellite Express AMU1 to use some of the frequencies allocated to the European satellite provider Eutelsat. Thus, the capacity of Express AMU1 will be used both by the Russian Satellite Communications Company (RSCC) and by Eutelsat. The French operator plans to transfer the existing clients from Eutelsat 36A (the former Eutelsat W4), now positioned at 360 E, to Express AMU1, and to attract new clients. The Press Office of the RSCC explains that

the SCRF's decision will make Ku- and Ka-band frequencies assigned to Eutelsat available for providing services in Russia and foreign countries.

At a meeting of the SCRF, Deputy Director of the Department for Infrastructure Projects at Minsvyaz Maksim Mysev explained that taking this decision was necessary for international legal protection of the used frequency bands. ❖

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**❖ Rostelecom Expands its Broadband Base**

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According to TMT Consulting, in July-September 2015, the number of broadband internet subscribers in Russia grew by 330 thousand. The agency's analyst says that such a rapid growth of internet users (by 400 thousand) was seen for the last time in the fourth quarter of 2013. In the first quarter of 2015, the number of broadband subscriber contracts in Russia grew by 110 thousand, in the second quarter – by 120 thousand. The agency has information that, in the third quarter of 2015, Rostelecom had the fastest growing subscriber base – 150

thousand subscribers more (against 66 thousand in the second quarter), and the second place was taken by MTS – they added 65 thousand subscribers against 5 thousand in the previous quarter. Rostelecom's growth is partly connected with enlarging the geographical coverage of its networks, as the analysts claim; however, the surplus is mostly caused by the fact that the operators were connecting subscribers from other companies. ❖

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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.

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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>