



World at a
different angle

Broadband & Satellite Russia Newsletter

No 107

November 16-30, 2015

 **COMNEWS**

| MOSCOW | RUSSIA |

Contents

The Future of Broadband is in the IoT	3
Not Enough Subscribers for LTE Networks	3
Satellite Constellation Development until 2025.	4
Putin will Show the Way into the Outer Space	4
Rostelecom Put the Auction on Hold	5
ITU Gave Advice to LTE Builders.	5
3G – Still Alive in Russia	6
The Second Battle for LTE Frequencies	6
About Us. Contacts	7

Sources: ComNews.ru, Kommersant.ru, CNews.ru

◆ The Future of Broadband is in the IoT

The 5th International “Broadband Russia Forum 2015 – Next Generation Broadband Networks Development in Russia”, organized by ComNews, was attended by the experts who openly stated that the Russian broadband market was close to saturation, and yet there was some potential for growth. Many industry players are sure that today telecom companies are bound to develop extra, high-tech income sources based in the Internet of Things, big data, new media services, etc.

The current state of affairs in the industry was described in a report made by Svetlana Shamzon, Vice President of TTK Company. She

reminded the audience that, according to TMT Consulting, broadband subscriber base in Russia reached 29.3 million in the 3rd quarter of 2015, and broadband penetration in the country approached 53%. “The market has entered the saturation phase, the surplus of the [subscriber] base and income is very slow,” said Svetlana Shamzon. “However, the ARPU in the Russian market is lagging far behind the average broadband revenue in the developed countries”. She believes that this parameter equals 25-30 Euros in Europe and 10 times less – in Russia. This circumstance has a direct influence on operators’ plans to develop their networks. ◆

◆ Not Enough Subscribers for LTE Networks

Russian LTE networks have two times less subscribers than the same networks in Western Europe, despite the fact that this technology was launched in both regions simultaneously. The analysts explain it by the popularity of cheap smartphones not supporting LTE in Russia. In 2015, smartphone penetration increased by seven percent in comparison with the previous year and reached 73%, and

the penetration of regular phones reduced by 8 percent and fell under 56%, according to the analysts. They believe that smartphone saturation is not far away, and the penetration will not rise higher than 85% in the nearest future. The Russian market has a special feature – the new smartphones in circulation are mostly B-brands not supporting LTE. ◆

◆ Satellite Constellation Development until 2025

The Federal Agency of Communications (Rossvyaz) prepared a draft for the Concept of developing the Russian orbital constellation until 2025, and forwarded it to the relevant agencies for approval. The draft envisages 11 communications satellites, which are to be manufactured and launched by a subsidiary of Rossvyaz – the national operator Russian Satellite Communications Company (RSCC). Rossvyaz is also ready to expand this draft with the satellites from Gazprom Space Systems (GSS) after the prior inspection of their financial support. GSS shows genuine interest in the program and currently works

on it in collaboration with the Ministry of Communications (Minsvyaz). Rossvyaz plans that the draft for the Concept of developing the Russian orbital constellation will be approved in 2016. Igor Chursin, Deputy Head of Rossvyaz, shared this during the 5th International Broadband Russia Forum 2015, organized by ComNews. The Concept will most likely gain the status of a Federal Targeted Program, which means that it should be approved by the Russian Government's separate decree. According to Igor Chursin's estimations, the Concept will be implemented from 2018. ◆

◆ Putin will Show the Way into the Outer Space

In the beginning of December, Vladimir Putin is chairing a meeting in the Kremlin to discuss the funding for the Federal Space Program 2016-2025. He will finally put an end to the dispute between the Federal Space Agency (Roscosmos) and the Ministry of Finance (MinFin). They still cannot define the cost of the ten-year program: the Space Agency insists on at least \$22.6 billion, and the MinFin is not ready to provide more than \$15 billion.

The information about this meeting held by the President and dedicated to space industry financing came from a source close to the

President's administration. According to them, the agenda includes the funding for the Federal Target Program 2016-2025, and the officials who will take part in the meeting are General Director of Roscosmos Igor Komarov, Deputy Prime Minister Dmitry Rogozin, Presidential Assistant in Economic Affairs Andrey Belousov and Finance Minister Anton Siluanov. ◆

◆ Rostelecom Put the Auction on Hold

The largest telecommunications company Rostelecom cancelled its \$317 billion bidding for software and DWDM equipment supplies on 7 October 2015, and still have not renewed it. The equipment was required to develop the operator's backbone transport network in 2015-2018. The auction started on 29 July 2015 and was described as a two-stage open request for proposals with a total starting maximum cost of \$317 billion. The procurement's results must have been announced until 21 October 2015. However, the bid documentation was

revised six times, and the procedure itself was published at the government procurement portal again, even though the first publication still has a formal status "receiving applications". The official notice of the auction's cancellation (in the second edition) does not state any direct reasons for terminating the procurement. Rostelecom's press office says that some discrepancies and technical mistakes were found after the tender's publication, and it was necessary to correct them. ◆

◆ ITU Gave Advice to LTE Builders

During the recent World Radiocommunication Conference 2015 (WRC-15) organized by the International Telecommunication Union (ITU) the countries agreed to use the frequency band of 694-790 MHz (the so-called "second digital dividend") to develop mobile internet in Europe, Africa, Middle East and Central Asia. That is what the official ITU release says. The Union recommended to use these frequencies for mobile internet in Russia as well. In South and North America, the decision to use these frequencies for mobile internet was taken back in 2012.

The ITU is an organization which approves global telecommunications standards. The manufacturers of telecommunications equipment always rely on its recommendations. It means that LTE equipment in the 694-790 MHz ranges will have a chance to become inexpensive and popular very soon. The representatives of the "big four" Russian mobile operators (MTS, VimpelCom, MegaFon, T2 RTC Holding) confirm that all Russian operators would be glad to develop LTE networks in this range. ◆

◇ 3G – Still Alive in Russia

In the 3rd quarter of 2015, MTS sold more budget smartphones supporting only GSM and 3G than LTE devices, according to a representative of this large Russian mobile operator.

The total numbers are not disclosed; however, it is highlighted that the most popular devices were in the price range of \$45-75 – the demand for them grew 2.5 times during the year. MTS's representative explains: the customers usually choose these models while buying their first smartphone. By the end of September 2015, 53% of MTS's subscribers used feature phones. Budget smartphones are a good option for those who just need mobile internet, whereas the advanced users prefer LTE gadgets.

The other member of the “big three” mobile operators, VimpelCom, recently announced that it had reduced the building of 3G networks, and will stop it entirely in 2016. 3G technology belongs to the past, as VimpelCom's Executive Vice-President explained it. VimpelCom does not give information about the percentage of smartphones supporting only 2G/3G networks. In the 3rd quarter of 2015, the operator's retail sales for \$45-75 LTE smartphones grew 6.5 times in comparison with the previous year, and the sales of budget 3G smartphones grew only 1.4 times. As a result, 46% of all smartphones sold in October supported LTE. ◇

◇ The Second Battle for LTE Frequencies

The Federal Service for Supervision Roskomnadzor published an official notice about the second electronic frequency auction. There will be 82 lots – licenses for providing communication services in the frequency bands of 2570-2595 MHz and 2595-2620 MHz for developing LTE. Right now, the operators are not rushing to apply for the bidding – ComNews interviewed several companies, and only MegaFon confirmed its plans to fight for the frequencies. The electronic auction will be held in 2016 and has three stages: 9 February (lot No. 1), 11 February (lots No. 2-41) и 17 February (lot No. 42-82). The cheapest lot is No. 33: its winner will have a right to provide communications in 2570-2595 MHz frequencies in the Nenets autonomous

region. Its starting price is \$16.5 thousand. The auction will offer frequency resources in 81 regions of Russia. The most costly area is St. Petersburg. This lot has a starting price of \$2.1 million. The bidding's organizers also assigned high value to the Krasnodar region (\$1.9 million), the Sverdlovsk region (\$1.8 million), the Republic of Tatarstan (\$1.5 million) and the Republic of Bashkortostan (\$1.3 million). Lot No. 1 stands apart – the winner will acquire licenses for 2595-2620 MHz bands in the whole country excluding Moscow, the Moscow region, the Republic of Crimea and Sevastopol. This lot is the most expensive; its starting price is more than \$43.7 million. ◇

About Us

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.

120,000 unique visitors on ComNews.ru portal a month

10,000 readers of the monthly magazine's circulation [*Standard*](#)

10,000 copies of the [*Communications and Broadcasting Encyclopedia*](#) annually

5,000 copies of [*Who Is Who in Telecommunications and Broadcasting*](#) annually

500 clients including major Russian and international ICT companies

over 20 [*Industry Conferences*](#) hosted by ComNews

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

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>