



Broadband & Satellite Russia Newsletter

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Sources: ComNews.ru, Vedomosti.ru

❖ Satellite Manufacturer May Have to Pay More than \$5 Million

Last year, the operator Russian Satellite Communications Company sued the satellite systems manufacturer “Academician M.F. Reshetnev Information Satellite Systems” (ISS-Reshetnev) to recover the debt of \$3.5 million. Gazprom Space Systems (GSS) became another satellite operator to file a claim against ISS-Reshetnev. They are requesting the spacecraft manufacturer to pay the penalty in the amount of \$2.1 million. According to various players in the field, the claim may be connected with the delayed launch of Yamal 401. The corresponding claim was submitted by GSS to Moscow Arbitration Court on 22 December 2015. According to the e-justice file, the court registered it on

23 December. An interview with the parties and a preliminary court proceeding is scheduled for 19 February 2016. Both parties refused to give any comments. Meanwhile, ComNews source in the space industry suspects that the legal action is most likely taken due to the delay in manufacturing Yamal 401. Head of Altegrosky Group Sergey Pechterev also notes that the lawsuit must be connected with the delayed launch of Yamal 300K or Yamal 401. “As long as Yamal 401 is much more powerful than Yamal 300K and the launch was delayed for almost one year, GSS lost much more in this case, which could be the reason why they sued ISS-Reshetnev,” he thinks

❖ Devour and Conquer

NetByNet operator is getting ready to buy Cifra 1, Startel and Startelecom-Center. The company has already acquired the necessary approvals from the Federal Anti-Monopoly Service. The acquisition of small players by bigger ones can become the main wired broadband trend of 2016. The experts claim that the phase of organic growth has passed, and the challenging economic environment stimulates the purchase of assets. The Federal Anti-Monopoly Service approved the motions of NetByNet Holding on buying Cifra 1, Startel and

Startelecom-Center. The operator’s representatives have not given any comments yet. NetByNet’s press office reports that this approval from the Anti-Monopoly Service does not mean that the purchase will take place. “NetByNet is examining the market to find and purchase new companies. These assets are interesting, because they can strengthen NetByNet’s positions in B2B field in Moscow and Tver,” as the operator told ComNews.

❖ **VimpelCom Chooses Bidders for Its Towers**

The investment banking division Merrill Lynch has selected the companies to join the second bidding stage to buy the tower infrastructure of the largest carrier VimpelCom. This information was provided by a spokesperson from one of the competitors and confirmed by two people from VimpelCom's partner companies.

They say, at least three out of eight applications were satisfactory: in the end, the asset may go to the infrastructure companies Russian Towers or Vertikal, together with the partners, or to the Russian Direct Investment Fund (RDIF). Two more persons, closely affiliated with the bidding's organizers, claim that there are more than three participants

in the second round – one of them is even more specific saying that “there are foreigners” among the competitors. During the second stage, the participants will study the facilities in detail and form a final pricing proposal. Merrill Lynch chose the middle of March as end date of the second round. It is still unknown, how many participants will remain afterwards and whether the winner will be announced. VimpelCom is selling around 10 000 – 12 000 towers (the exact number will be public after the second round). By doing so, the company plans to earn at least \$0.5 billion. An amount twice as big was mentioned by one source close to the organizers. ❖

❖ **Express AMU1 is On Its Way**

At the end of December, Proton M carrier rocket with Briz M booster and communications satellite Express AMU1 was successfully launched from Baikonur Cosmodrome. Express AMU1 is the last spacecraft manufactured for Russian Satellite Communications Company (RSCC) to be launched with Proton M rocket through government sponsorship. The launch was planned for 24 December; however, it was delayed until 25 December due to unfavorable weather conditions. The carrier rocket was successfully launched at 00:31 Moscow time, and in 10 minutes the booster and the spacecraft separated themselves from Proton M's third stage as planned and entered the pre-

calculated orbit. The current Proton M's launch was the seventh successful launch from the beginning of the year.

The GSS' press officer told ComNews that five contracts had been signed for the whole capacity of the satellite. The resource will be used by Russian and international companies, as the officer says, without revealing any names. The satellite will provide television broadcasting services, as well as broadband internet access in the European part of Russia, in Europe and in Sub-Saharan Africa. According to the Ministry of Communications, the satellite will start its commercial operation in February 2016. ❖

❖ “Big Three” Russian Operators – The End

For almost 10 years – since the first half of 1900-s until 2003 – the Russian mobile communications market was divided between MTS and VimpelCom, operating in many parts of the country, and there were some other local operators. For the next 12 years, the “big three” Russian mobile operators were prevalent: MTS, VimpelCom and MegaFon. This era came to an end in October 2015, when T2 RTC Holding (a joint venture of Rostelecom, VTB, the Rossiya Bank and Alexey Mordashov’s structures), working under Tele2 brand, started connecting subscribers in Moscow. Moscow ensures almost 40% of all carrier revenues in Russia. Tele2 has significantly less subscribers than their competitors; however, it could just be a matter of time. Dur-

ing 1.5 months – from 22 October until the middle of December – Tele2 sold 1 million SIM cards in Moscow. The subscribers’ surplus in the capital is very low, so almost all of these 1 million people were clients of MTS, MegaFon and VimpelCom before. On the one hand, entering Moscow is a breakthrough, on the other hand – analysts warn that Tele2 will not be able to earn much here in the beginning. Firstly, newcomer’s tariffs are traditionally lower than the ones of their competitors; secondly, attracting customers is not enough – it takes effort to make them use the SIM card regularly, even in the cases when they simply bought it out of curiosity. ❖

❖ Unfulfilled Hopes of Satellite Broadband

The players of satellite broadband internet market made plans to enlarge their private customer base by at least 15 thousand in 2015, but these hopes were not fulfilled. According to ComNews Research, the total surplus of active private subscriber base of satellite broadband did not even reach 10 thousand households. This opinion was expressed by Evgeny Evdokimenko, Head of ComNews Research. “The sharp ruble devaluation in December 2014 ruined these plans. It is already clear, that in 2015 the total surplus of active private customer base of satellite broadband using bundle packages did not even reach 10 thousand households,” said Evgeny Evdokimenko. “ComNews Research estimates that satellite broadband’s active pri-

vate customer base will amount to approximately 22 thousand households in 2015, including not less than 16 thousand in Ku band and around 6 thousand in Ka band”. According to ComNews Research, in the nine months of 2015, the number of households actively using satellite broadband internet access in the form of bundle packages increased from 14 800 to 19 750, by 4 590 subscribers. Thus, ComNews Research analysts claim that the customer base of this satellite broadband segment grew by 33.4% during the three quarters of 2015. ❖

1st half of 2016

Conference Title	Date
 <p>The 3rd Business Forum "Telecom of Two Capitals 2016 – St. Petersburg: Effective ways to improve competitiveness of telecom operators in big cities"</p>	February 19
 <p>The 2nd Federal Business Forum "Telecom QoS Russia 2016"</p>	March 3
 <p>The 7th International Conference "Transport Networks Russia 2016 – Transport telecommunications networks development in Russia and CIS"</p>	March 17–18
 <p>The 8th International Conference "Satellite Russia & CIS 2016"</p>	April 21
 <p>The 8th International Business Forum "Wireless Russia Forum: 4G, 5G & Beyond – Evolution of Mobile and Fixed Wireless Networks in Russia"</p>	May 26–27
 <p>The 3rd International Conference "Cloud Services Russia – Infrastructure. Platforms. Services"</p>	June 8
 <p>Awarding Ceremony of the 8th Annual Contest "TOP 10 IT Projects"</p>	June 8
 <p>The 4th Strategy Forum "PR Vector. Development of Corporate Communications in ICT"</p>	July 7

2nd half of 2016

Conference Title	Date
 <p>The 2nd Business Forum "Communications in a Big City – Aspects of operation and interaction of telecommunications market participants in a metropolis in the new conditions"</p>	September 15
 <p>The 7th International Conference "Managed Services 2016 – Operators' costs optimization, telecommunication networks and IT infrastructure outsourcing & network sharing"</p>	September 15
 <p>IT Forum of the Russian Oil & Gas Industry</p>	September 22
 <p>The 5th All-Russia Conference "Critical Communications Russia 2016"</p>	October 6
 <p>The 7th International Conference "Digital Broadcasting and New Ways of Video Content Delivery. Interactive Services in Modern Networks – Digital & Connected TV Russia 2016"</p>	October 27
 <p>The 6th International Business Forum "Broadband Russia Forum 2016 – Next Generation Broadband Networks Development in Russia"</p>	November 24–25
 <p>ComNews Awards 2016</p>	November 24

The plan is preliminary and could be changed or supplemented

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.

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