

Russia, CIS cellcos evolve strategies for the 3G era

The 5th annual GSM>3G Russia/CIS conference (5-6 June 2007) brought together hundreds of delegates from 20 countries around and beyond the CIS region. As well as the core contingent of participants from the Russian Federation itself, CIS visitors came from Armenia Azerbaijan, Georgia, Kazakhstan, Ukraine and Uzbekistan. From beyond the CIS region, a number of central European and Asian countries were also represented, including some from markets rumoured to be of interest to expansionist Russian telecoms groups present at the conference.

Delegates gained insights into the plans of a number of key telecoms investors via the keynote address session on the morning of day one of the conference. Teijo Pankko, CFO of Altimio, spoke about his organisation's strategy of maintaining minority stakes in an impressive roster of telcos across the CIS, which includes the competing pair of giant Russian cellcos Vimpelcom and Megafon. Further assets include stakes in Kyivstar (Ukraine), Turkcell (Turkey), Golden Telecom (Russia and Ukraine) and Sky Mobile (Kyrgyzstan). Fielding questions from the floor, Pankko maintained that a policy of encouraging talented management teams to thrive meant that there was no conflict of interest around the group having invested in rival mobile operators in the same market. Pankko confirmed reports that Altimio, which is a vehicle for holding the telecoms assets of the Alfa Group, is interested in the potential of Asian markets, especially where historical cultural ties with Russia may offer advantages over competitors from western Europe seeking to exploit the few remaining truly high-growth opportunities. Reference was made to Vietnam, which has been the target of interest from both Altimio and Telenor, whose SVP, CEE & Country Head, Russia, Kjell-Morten Johnsen was on hand to take questions also. Johnsen was keen to emphasise that relations between his group and Altimio were far better than has been suggested by the press interest around certain disputes between the two. Johnsen echoed Altimio's assertion that Asian markets offered natural expansion opportunities for Russian telcos. It was mentioned that at meetings in Vietnam, Russian visitors have been pleased to find senior decision makers there with a good knowledge of the Russian language, resulting from close ties between the two countries.

Sistema Telecom is a powerful group, comprising of more 50 companies in total. The bigger stars in this constellation are mobile operators MTS and SkyLink as well as Moscow City Telephone Network, Comstar, Multiregional TransitTelecom, Stream, Golden Line, AMT and CENTR-TELCO. The views of the group as a whole were articulated by their VP Strategy, Mr Sergey Baida, the theme of whose presentation centred on the opportunity to achieve greater synergies across the group's various fixed and mobile assets. Regarding MTS, the current focus of interest is squarely upon the operator's 3G deployment plans. Marcel Stoeckli, the cellco's CTO was on hand to discuss this. Later the same day, this broad topic was dealt with by Vimpelcom's Technology Development Director, Natalya Rudenko. Given that Russia has yet to see the full commercial roll out of 3G services, delegates valued the fact that Ms Rudenko was able to convey lessons the company has learned from deploying WCDMA and a unified 2G/3G core at the company's subsidiary business unit in Tajikistan. Delegates gained related insights from another speaker from the Caspian region, Magticom CEO, David Lee, whose company is already offering 3G services in Georgia. Lee explained that for now, in terms of device strategy, his focus is on the mobile handset rather than the PC card, citing the very low penetration of

laptop PCs in Georgia. The roster of CxOs on the panel of speakers was bolstered by the presence of Martin Quirke, CEO of Azerbaijan's Bakcell. Quirke explained that for his company, discussions about 3G networks and services were as yet premature, saying that the challenging nature of emerging market conditions meant that for now the focus has to be on the essentials of good quality service and a well-run organisation.

It was inevitable that discussions would focus on WCDMA in the year that the Russian Federation's 3G licensing process finally went ahead. As predicted, the three major operators with network assets across the Federation, MTS, Vimpelcom and Megafon, won the initial three licenses. The next 3G-related event of note in Russia will be the awarding of a fourth license to a challenger to this triumvirate. In the meantime, there will continue to interest in the fortunes of a number of emerging service providers that have deployed WiMAX-class technology, both in the major metropolitan markets of western Russia and in outlying regions where the relative under-development of fixed-line infrastructure may create compelling opportunities around the provision of basic voice and data services. As everywhere else in the world, opinion in Russia is divided on the subject of how far WiMAX will threaten cellular operators. It was no surprise, therefore, to hear a lively debate in response to the presentation made by Ivan Shmelev, Director of strategic planning at Infoseti, one of the companies betting on the WiMAX business case. Additional viewpoints from analysis consultancy businesses were useful to provide a broader international context for debate about whether WiMAX and WCDMA/HSPA are set to be fiercely competing technologies or ones with a useful degree of complementarity. The GSM Association recently engaged consultants Arthur D. Little to produce a report examining the two technologies side by side. ADL's Richard Swinford was on hand to discuss the outcomes of this study.

The conference organisers, Informa Telecoms & Media announced that in 2008 and beyond, GSM>3G Russia CIS will be repositioned to reflect the convergence trends discussed in detail by Sistema Telecom, as well as the ever more blurred borders between the telco and media industries. Appealing to delegates to articulate their support for this development, the event's host, Joe Willcox (who heads up the Europe and Americas components of the wider GSM>3G World Series), told participants to expect a widening of the conference's focus such that in 2008 and beyond the core audience of mobile industry players will be joined by the region's wireline carriers, cable MSOs and many other kinds of service provider. Willcox predicted that in 2008 plenary sessions would be constructed to be of relevance to this wider audience drawn from across the whole telecoms industry, with separate breakout sessions likely to be tailored to meet the business information needs of mobile and fixed-line operators.