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MTS and VimpelCom Eye Same Property

By Olga Razumovskaya

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Two of the country's biggest telecommunications providers, Mobile TeleSystems and VimpelCom, are considering purchasing St. Petersburg-based operator Eltel, the CNews portal reported Wednesday.

Eltel, founded in 2000 and specializing in fixed-line services and broadband Internet access, is a relatively small company, with 1,200 corporate customers and 30,000 broadband Internet subscribers. It is not viewed by telecommunications analysts as a major market player.

Late last year, the Federal Anti-Monopoly Service approved three petitions — one from VimpelCom and the other two from MTS's subsidiaries Comstar United TeleSystems and Multiregion — to purchase Eltel.

Eltel declined to comment on whether it was planning to sell its assets or provide a time frame for a potential sale.

"Eltel's employees cannot comment on the intentions and interests of such companies as

MTS and VimpelCom," Konstantin Kiselyov, marketing head of Eltel, wrote to The Moscow Times in an e-mail.

A VimpelCom spokeswoman told The Moscow Times that her company is "interested in strengthening its positions across Russia" and consolidating assets. She could not confirm or deny that VimpelCom has made a decision to go ahead with a purchase, citing company policy.

MTS confirmed that the service approved Multiregion's request for permission to purchase Eltel on Dec. 22 and Comstar United TeleSystems' on Dec. 27.

"Our turning to FAS with a petition is, in essence, a consultative procedure," MTS spokeswoman Irina Osadchaya said, adding that the final decision to potentially purchase any asset would depend on the effect it may have on the company.

"We are potentially interested in any regional market. We constantly study the market and purchase those assets that are interesting to us from the point of view of business development in broadband Internet access," she said.

Analysts view the move by telecoms providers as an effort to go beyond the saturated Moscow market and tap into regional potential. The trend started about two to three years ago, said Renaissance Capital's telecommunications analyst Alexander Kazbegi.

Major telecommunications providers are now trying to consolidate their assets and buy out companies that provide, among other services, fixed telephony — allowing them to address the fixed Internet access market, which has lower customer turnover than the mobile services segment.

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The London Court of International Arbitration has turned down an appeal by Mobile TeleSystems to not buy back 49 percent of Tarino, Interfax reported Wednesday.

In 2005, Tarino still owned 100 percent of Kyrgyz cellular operator Bitel, which it had bought from Nomihold Securities for $180 million.

An MTS spokeswoman told Interfax that the company will "continue to use all legal opportunities to get the ruling reversed."

In December 2005, MTS acquired 51 percent of Tarino from Kazakh investment firm Alliance Capital for $150 million.

Russia's Rezerv-Tsvetmet company, citing rulings by Kyrgyz courts, then acquired control of Bitel and forced MTS out of the Kyrgyz company's offices and into the courtrooms.

The ministry stuck by its forecast for full-year contraction of just 2.2 percent, suggesting things could improve before too long. That optimism was picked up by Shuvalov.

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