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Mobile Giants to Invest in Yota for 4G

By Olga Razumovskaya

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The leading operators will work on Yota's network to start 4G services. **Vladimir Filonov**

The four biggest telecommunications operators and Scartel, which operates under the Yota brand, signed an agreement to work together to build the next generation of mobile networks, at a meeting Thursday hosted by Prime Minister Vladimir Putin and Communications and Press Minister Igor Shchyogolev.

Mobile TeleSystems, MegaFon, VimpelCom and Rostelecom — which became a significant mobile player thanks to its acquisition of SkyLink and merger with Svyazinvest — agreed to create a joint venture to develop a 4G network on the basis of Yota's initial 4G infrastructure.

The deal foresees Yota Group eventually being divided in five parts, giving each stakeholder an equal share in the company.

The participants will be allowed to use Scartel's 4G Long Term Evolution technology, or LTE, as well as network resources, and will have an option to buy out shares at market value

in 2014, Scartel told The Moscow Times in an e-mailed statement following the signing of the document.

Scartel committed to keep investing in network construction and said LTE services will be available in Russia as early as this year, with the network expanding to 180 cities by 2014. Because of the country's size, the cutting-edge nature of the technology, and the volume of investment required to roll out the new network, analysts are skeptical about the timetable — especially in light of the current absence of any LTE handsets.

"I really hope that what has been thought of will be realized with the help of the employees of your companies, with the help of state resources that we are ready to provide you with," Putin said.

The fact that Russia's big four operators joined Yota came as a surprise to market players, some of whom didn't see it as a contestant for the right to develop LTE.

Based on the presence of the ministers, it is clear that the transaction has support from the state, which is a part owner of Yota through the stake held by Russian Technologies, analysts say, but they caution that there are aspects of the deal to be finalized.

"Such calculations are not done on the spot like that," said Anna Lepetukhina, telecoms analyst at Troika Dialog.

"It is too early to talk about the construction of one 4G network," she said. "If the companies had ironed out all the details, they would have come out of those doors saying exactly that."

Tele2, the Swedish operator that has invested $2.5 billion in its Russian operation and has 18 million mobile subscribers here, was not involved in Thursday's agreement. The company, which says it has extensive experience building 4G networks in Europe and has offered to share its experience locally, has not lost hope of being included.

"It is too early to make any kinds of conclusions," said Alexander Bakhorin, Tele2 Russia spokesman. "But we stick by our position to offer our technological expertise and to chip in for the investments."

Analysts believe, however, that Thursday's agreement seems to put a government seal of approval on the final list of 4G market players.

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