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Faster but Later: 4G Readies for 2015 Launch

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Gulnara Khasyanova is charged with running the consortium of Russia's mobile operators that have banded together to make the next generation network a reality. **Vladimir Filonov**

Though there are no advertisements in Russia yet for fourth generation, or 4G, mobile communications — unlike in the United States and Scandinavia, where the service is already being offered — the consortium recently formed by the top mobile operators plans to offer a better service, albeit a bit later.

Political and fiscal obstacles delayed the country's start on higher speed mobile data transmission, but this could result in Russia's leapfrogging to the next level of technology — as it did to achieve mobile penetration rates beyond any Western market's wildest imagination.

Mobile broadband services, by which users access the Internet, accounted for an estimated $2.1 billion in revenues last year, and this is expected to grow by more than 40 percent this

year, according to industry experts.

Some even say that in 2011 mobile operators' earnings from broadband will exceed that of fixed-line Internet providers.

And yet it is clear that mobile data is just beginning to come into its own.

The country's 3G network is only used by about 10 percent of the population, Gulnara Khasyanova said in an interview with The Moscow Times.

Khasyanova is the former head of Skylink — the company that rolled out the country's first 3G network — and is now charged with running the consortium of Russia's mobile operators that have banded together to make the technological and financial challenges of the next generation network a reality.

The hope to deploy the very latest technology coupled with a desire to cut costs in creating the network while keeping all the main market players happy is what stands behind the government's decision to create a special 4G consortium that will work out a plan of how to get a 4G network started.

The Long Term Evolution, or LTE, standard being deployed in other markets now is actually not true 4G, since it promises to deliver only up to 100 megabits per second. True 4G is called LTE "Advanced," and according to the industry standard will provide speeds up to 1 gigabit per second.

"It would be interesting for me to see us leap right into LTE Advanced," Khasyanova said.

True 4G allows for better use of frequencies and for the combination of frequencies from different ranges, she said, which is essential to optimize the number of base stations necessary to cover the massive geography of Russia.

Khasyanova sees the technological leap as a personal goal and as the goal for the consortium, which was formed only days before she was appointed.

The Consortium

The creation of the consortium, whose founding members are Mobile TeleSystems, MegaFon, VimpelCom and Rostelecom, is one of the most significant events of the year for the local telecommunications industry.

It was born out of the confusion and scandal surrounding the distribution of the frequencies necessary to create the 4G network, which are now under the control of the Defense Ministry.

Scartel, which operates under the Yota brand in Russia, was the first Russian wireless Internet service provider to launch a "near 4G" high-speed network using the WiMax standard, and had a fight with both the military and the country's IT and telecoms watchdog, the Federal IT and Mass Media Inspection Service, over the distribution of 4G licenses.

At one point, the idea to simply give the frequencies to an unknown player appeared on the agenda of a meeting of the ministry's agency responsible for frequency policy, but the item

was later dropped.

The issue became bilateral when Konstantin Kosachyov, chairman of the State Duma's International Affairs Committee, received a letter from U.S. Congressman Howard Berman, chairman of the House Foreign Affairs Committee, expressing his concerns over the fact that MTS and VimpelCom, both of which are traded on the New York Stock exchange, might be deprived of the opportunity to bid for frequencies.

Just as it began to appear to industry players that Yota was not a significant feature on the landscape of mobile network evolution, in early March of this year the head of one of the company's shareholders, Sergei Chemizov of Russian Technologies, hosted a meeting where his patron, Prime Minister Vladimir Putin, was present and oversaw the signing of a five-way memorandum that had the four mobile operators agreeing to work together and use Yota's nascent 4G infrastructure as the basis for a countrywide rollout.

The consortium was also given the task of investigating how to free up the frequencies being used by the Defense Ministry. Statements by Communications and Press Minister Igor Shchyogolev at the time indicated that it was not clear whether any foreign players would be allowed to participate in such a sensitive task.

Similar alliances have formed in other countries, but they usually have only two players and are not made under government pressure.

Carl-Erik Lagercrantz, chairman of Net4Mobility, the joint venture between Telenor and Tele2, and vice president of Telenor Sweden, told The Moscow Times that an alliance of more than two companies to create a 4G network would be difficult and unlikely.

The governing body of the consortium is a council chaired by Oleg Malis, Altimo's former senior vice president and a VimpelCom board member.

This lead role will rotate semiannually between the members who include Alexander Provorotov, president of Rostelecom; Mikhail Shamolin, president of AFK Sistema and board member of MTS; and Telecominvest general director Ivan Streshinsky — who is also an Altimo senior vice president and MegaFon board member.

Milestones Approaching

Even though its legal registration is not yet complete, on July 1 the consortium is to hand to the State Commission on Radio Frequencies a plan for developing the 4G network, including potential costs, deadlines and usability of frequencies.

The consortium members hope that the work that they will do will give them a chance to get the frequencies from the government and that the latter will ensure the return on the investments in the 4G network that they are prepared to make.

Khasyanova is optimistic. She believes that Russia can move to the LTE Advanced standard in the foreseeable future.

"I'd like to believe that with the help of the telecoms operators community and the regulator we can do this," she said.

The speed at which this happens will depend on the reaction of the regulator to the proposals made in the upcoming report.

"I hope that the work we have done within the consortium will be sufficient and that the tenders for distribution of frequencies can start as early as this year or in early next year, so that the operators could — in the regions where the situation with frequencies is more or less clear — start building networks, while discussing conversion [of military frequencies] in other regions," Khasyanova said.

This would mean network construction could begin even next year.

The cost of a national 4G network will be between $5 billion and $7 billion and span over about seven years, Khasyanova said.

Room for Foreigners?

The 4G consortium currently excludes Tele2, a Swedish telecoms operator with 19 million subscribers and about $2 billion in investments in Russia over the past eight years.

The company has written to Communications and Press Minister Shchyogolev to ask to be included, on the basis not only of its market presence in Russia, but also because it already has significant experience launching 4G networks.

It partnered with Norwegian telecoms operator Telenor in April of 2009 to build a joint 4G network in Sweden and compete with Telia.

"It's a great challenge to sit down and talk, and to dare to share frequencies, but overall it's a great partnership, we've learned that," Lagercrantz said of the joint experience in Sweden.

The secret to success is to partner on the creation of the network and devices, but fiercely compete on market launch, marketing, customer offerings and pricing, Lagercrantz said.

For now, it's not clear who will decide on Tele2's involvement. The representatives of the big four say they are not against the idea of Tele2 joining the consortium, and that it is up to the ministry to decide.

Minister Shchyogolev told The Moscow Times that it is up to the market players to decide on who participates in the consortium.

Khasyanova said that once the registration of the consortium as a legal entity is finalized, which she expects to be complete within two months, there may be time to look into letting other participants in.

"I cannot see why any regulator would turn down [the experience of having a partner with experience in 4G networks]," Lagercrantz said.

"If a regulator has the ambition to provide new technologies at a cheaper cost with high quality to the market place ... there is no reason why you should not let companies share networks, share frequencies with others," Lagercrantz said.

"There has been no official reaction to the letter. This might be related to the consortium not yet being incorporated," said Alexander Bakhorin, Tele2 spokesman in Russia.

"We expect that our company becomes a fully fledged member of this organization," he told The Moscow Times.

Devices

"Despite the fact that the ecosystem of LTE is still in its infancy compared with 3G, it's growing really fast," said Sergei Skripnikov, spokesman for Ericsson in Russia and the CIS.

There are more than 90 LTE devices available on different markets according to the Global Mobile Suppliers Association.

Most of them are dongles — specialized modems — because the current LTE technology is focused on providing mobile Internet access.

Further along, LTE smartphones that allow voice conversations via the Internet are expected to gain in popularity.

"For example, we've noticed that with introduction of its first LTE smartphone, mobile broadband traffic within Verizon's network in the U.S. has nearly tripled just in one month. There are only a few smartphones supporting LTE at the moment, but we believe that as soon as operators sense the business growth related to LTE and smartphones, we will see more and more LTE smartphones coming this year and later," Skripnikov said.

Verizon allows customers to do voice calling via the Internet, even though it reduces its voice traffic. Russian operators have so far been reticent to follow suit — not yet ready to cannibalize one revenue stream for another.

Li Shao Peng, terminal product manager at ZTE, a Chinese handset manufacturer that made the first Glonass phone for MTS, told The Moscow Times that the company is planning to release its first 4G phone in April in the United States and Japan.

ZTE plans to release 4G handsets in Russia in the third quarter of next year. But since operators are still recouping their investment on creating the 3G network, it's likely that Khasyanova's prediction that true 4G services will only be available in three or four years will come true.

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