

Foreign Bidders Could Be Excluded from Rostelecom Privatization

By [The Moscow Times](#)

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The state will not allow foreign bidders to take part in the auction of a stake in Rostelecom but is ready to sell 50 percent of the telecommunications giant to the country's leading cell phone operators, Kommersant reported Wednesday, citing its own sources.

The decision is aimed to satisfy a demand of the Defense Ministry, which said the company was a strategic asset and should remain in the government's hands.

The government is discussing a compromise version of Rostelecom privatization that could provide a balance between national security and economic interests, Kommersant said.

An official familiar with the situation said that even if foreign companies were excluded from the privatization, the government would still be able to raise \$5 billion by selling the stake to one of the domestic mobile phone operators.

A senior executive at one of the leading mobile phone operators told Kommersant that the government was planning to sell Rostelecom's cellular communications business to Tele2 Russia, which was acquired by VTB recently, and sell the rest to one of the big three cellular phone companies.

An MTS spokesman said the company would examine any specific proposals. Rostelecom, Megafon and VimpelCom declined to comment on the report.

Russia announced plans in 2010 to raise \$50 billion in five years by selling off stakes in companies such as oil major Rosneft and the country's two biggest banks, Sberbank and VTB.

But Russia has completed only a handful of privatizations so far. In telecoms, the government has faced criticism from the defense ministry that had opposed selling the stake to foreign investors.

Material from Reuters was included in this report.

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