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Rostelecom to Invest More Than $400M in Crimea Network

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A technician working on Rostelecom communication equipment, a network that will soon expand to Crimea.

Russian long-distance telecom provider Rostelecom will set up a branch office in Crimea and invest 15 billion rubles ($417 million) in developing a telecom system on the annexed peninsula, Kommersant reported Wednesday, quoting a source in the telecoms industry.

The company may build its own network in Crimea but it may also purchase local Ukrainian operations and upgrade the existing telecom lines. According to Kommersant, Rostelecom is in talks with fixed-line communications firm Datagroup and, possibly, Ukrtelecom, owned by one of the Ukraine's wealthiest men, Rinat Akhmetov, although both companies deny that.

Rostelecom declined to provide an official comment on cooperation prospects or to confirm investment plans.

Ivan Zima, Rostelecom's current vice president for network development, will head the new office, a government official told Kommersant. Launching the new unit will require introducing some changes in the company's charter. So far, the board of directors has not discussed these amendments.

Rostelecom has started expanding its business into Crimea following an order by Prime Minister Dmitry Medvedev in March this year to ensure the communications between Russia and Crimea bypass Ukraine. "It is unacceptable that information and documents related to managing the territory — two federal entities — including those confidential in nature, are transmitted using the facilities of foreign telecommunications companies," Medvedev told a government meeting.

To implement Medvedev's disposal, state-run Rostelecom had to lay an underwater telecommunication line across the Kerch Strait, which is aimed at connecting Crimea to the Russian regions. The firm was to build a 40-kilometer fiber-optic cable line from Krasnodar region to the Kerch Strait and a 6 kilometer underwater part.

Kommersant recently reported the company had almost completed this project. Its official price has not been made public so far, but, according to different sources, laying the underwater part alone could cost between 400 million and 900 million rubles ($11.4 million to $24.7 million).

"To be able to evaluate the real cost of developing a telecommunication network, one should first study thoroughly the existing communication lines, which takes time and effort. Without this knowledge it is hard to give any kind of estimate," said Alexei Taranets, CEO of the company Pro-Telecom, which provides analysis of the telecom market.

He added that buying the business of local telecom companies was a good strategic step, as it could save the company money and time. With the existing lines and firms, Rostelecom will not have to hire new staff and seek approvals for building a new network.

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