



By Gerry Oberst

## Russia's Opportunities For Satellite Service

**With its enormous landmass and advanced space program,** the Russian Federation might be expected to have a thriving satellite communications market. But a high-level meeting took place in Moscow in early November to explore why Russia, in fact, does not rely more on satellite networks to meet the country's communications needs.

The European Satellite Operators Association (ESOA) and Global VSAT Forum (GVF) sponsored a Satellite Regulatory Summit to discuss the Russian satellite situation and examine ways to open the market to more competitors. The two organizations noted that Russia will continue to pay a "tremendous opportunity cost" until competitive satellite broadband service is permitted throughout the country.

Russia covers nine time zones and includes some territory fairly inhospitable to terrestrial communications networks. Further, Russia appears to maintain a substantial position in the satellite industry. A rough count of the networks listed in the space network list maintained by the International Telecommunication Union showed in late November that Russia claimed to operate more than 160 separate satellites at more than 60 orbital slots in the geostationary orbit alone. These two facts might lead one to expect that a thriving and even competitive satellite services sector would prevail in the country.

This expectation would be wrong. Conference organizers estimated that Russia has one of the lowest availability rates for interactive satellite terminals in the world, with fewer than 7,000 in operation across the country. Some of the limits to this embrace also were highlighted at the November ESOA/GVF conference.

While the Russian administration recognizes the value of satellite communications, often the regulatory structure gets in the way. The most recent U.S. Trade Representative report on trade barriers noted in late March that "significant barriers have been identified in the provision of satellite telecommunications services in Russia. In particular, [Russian] satellite regulation is not transparent, and the legal requirements and administrative responsibilities associated with the provision of these services appear to be discriminatory."

Ironically, Russia is an active member of the European Conference of Post and Telecommunications Administrations (CEPT), which has taken numerous steps to encourage satellite

broadband services. The CEPT's Electronic Communications Committee (ECC) has adopted a series of decisions on licensing exemption and service rules to facilitate various classes of satellite services. Russia is active at the ECC meetings but not active in the follow-up implementation of the decisions. ECC records indicate that Russia consistently fails to ratify decisions or other deliverables reached by apparent consensus within the ECC. In mid-May, a review of the CEPT implementation record for "free circulation" decisions by non-European Union members showed Russia has adopted only two of seventeen such decisions, which generally permit the use and putting on the market of different types of communications equipment, including satellite terminals.

From the satellite perspective, the picture is even worse, as the records show that Russia has adopted decisions dating from 1995 and 1997, neither dealing with satellite terminals, and nothing since. In effect the substantial CEPT work on satellite free circulation over the last decade has passed the country by. The ESOA and GVF noted in Moscow that this presents an opportunity to Russia, because by following the liberalization of the satellite sector already developed in the rest of Europe, cost-effective access to broadband communications could move forward quickly.

Western European participants at the conference stressed the need for Russia to implement license exemptions for all sorts of end-user terminal equipment.

These same considerations arise in the context of Russia's bid to join the World Trade Organization (WTO). Russia has been trying to join the WTO for more than a decade. A Working Party on Russian accession was established as far back as June 1993, but progress has been slow, as the group has met 28 times — far more than for any other current WTO accession country.

If and when Russia enters the WTO, the Russian government presumably will commit to the protocol on basic telecommunications, the agreement reached in 1997 that opened so many domestic markets to the satellite sector. The WTO General Agreement on Trade in Services would require Russia to offer transparent and legal protection for foreign services.

Russia has a proud history of space operations, and some operators view it as a major market opportunity. Until the country updates its regulatory context and explores how to implement market opening measures, however, there will remain a satellite opportunity cost rather than simple opportunity. ▽

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