



**Adam Smith Conferences:
“RUSSIAN TELECOMS”,
St.Petersburg, 15-17 November 2004**

“The first results of the Russian law on telecommunication”

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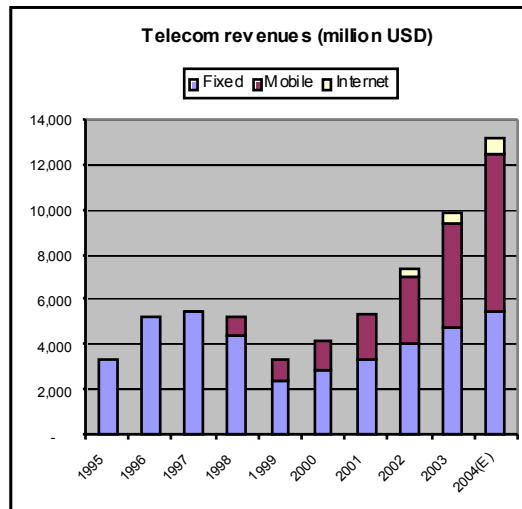
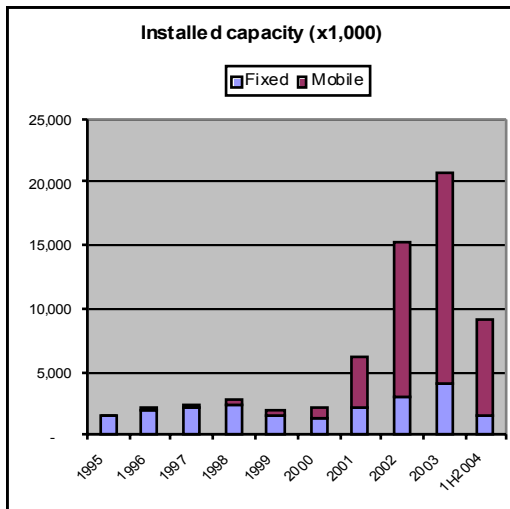
Russian telecommunication law –

The first results - from foreign investors' perspective

Content:

1. Historical development of Russian telecoms
2. From liberalization to regulation
3. Regulatory issues under the new law
4. Regulatory regime – international comparison
5. Events to follow up (that will give indications of the “regulatory reality”)

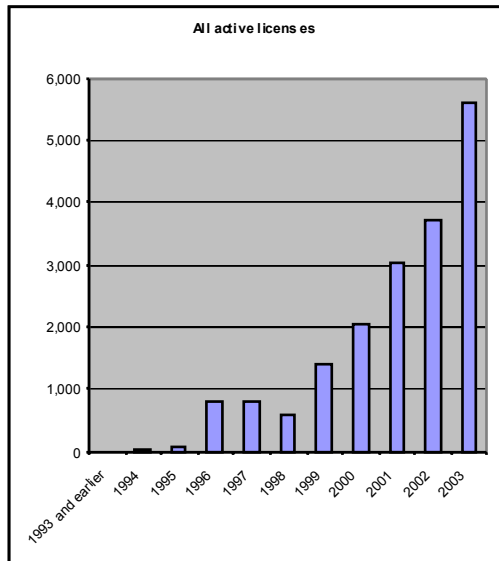
Historical development of Russian telecoms under the previous law (from 1995)



Source: The Ministry of Communications, Interfax-CNA's analysis

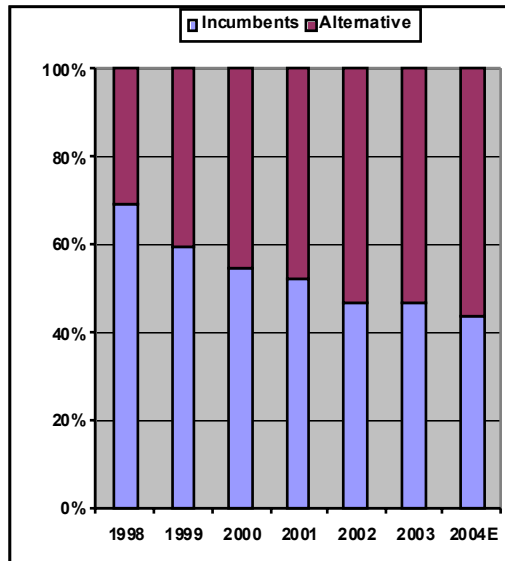
From de-regulation to?

The number of licenses



Source: J'Son & Partners

The share of revenues



Regulatory issues under the new law

- **No detailed rules. Of 35 Normative Acts only a handful are ready**
- **Regulatory autocracy with limited instances for appeal**
- **Only virtual independence**
- **No transparency**

Regulatory regime – international comparison

RUSSIA:

- Power concentration with control of state assets
- Limited real appeal independence
- No transparency
- Easy to misuse



Government
President' s Decree #314

Ministry of IT & Communication
Gov. Decree #311

Communication Agency
Gov. Decree #320

Information Technologies Agency
Gov. Decree #319

Communication Control Service
Gov. Decree #318

EUROPE:

- Independence
- Several independent appeal levels
- Transparency
- Difficult to misuse



What an investor wants – and what we can expect

- **Predictability** – maybe after all normative acts and regulations under to the new law have been established and tested (after 1-2 years)
- **Fair conditions** – from a really independent regulator (from state ownership and commercial interests)
- **Equal treatment** (to national investors/operators) – at least theoretically and depending on the power that will be given to today's incumbents.
- **International rules** – maybe if Russia will join WTO
- **Market access** – yes, but mainly for already established players

Events to follow up

- that will give indications of the regulatory reality

- The finalisation of normative acts enabling the new law.
- New rules concerning interconnect, definition of operators, licensing and USO might redefine today's market conditions.
- The continuing negotiations for Russia's WTO-membership.
- A solution of the conflict around the shares in Megafon.
- License transfers in connection with mergers in Vimpelcom
- The privatisation of Swazinvest, with or without Rostelecom, and who will become new owners. (Limitations of foreign ownership will likely be introduced in connection with the next privatisation.)
- The allocation of mobile 3G licenses – hopefully Russia will opt for a consideration of 3G as a continuation of existing 2 and 2.5 G networks for capacity- and service- enhancements.

**THANK YOU FOR
YOUR ATTENTION!**