

The Petersburg Times

# Business



# Special

Telecommunications

Tuesday, February 24, 2004

*With cell phone usage constantly on the rise and cutting-edge technology available to make homes and offices mobile, the telecommunications sector is a motor for change in Northwest Russia. Yet due to economic constraints such as lower personal income and bureaucratic hurdles to adopting operating frequencies, average consumers are less able to benefit from these opportunities than their*

## WiFi Service Needs Notebook Users

By Sophia Kornienko  
STAFF WRITER

Once you try it you won't be able to stop using this new technology. That is the opinion expressed by system integrators, providers, analysts and users of the Wireless Fidelity, or WiFi, data transfer standard.

Put simply, WiFi allows fast wireless web access from a personal notebook or pocketbook computer at so-called "hot spots" — coffee shops, airports, hotels, stores and other similar public places equipped with wireless base stations. In St. Petersburg, users can currently access the net for free at one of the 17 hot spots offered by Quantum Communications or pay \$3 per 15 minutes at Peterstar's access point at the Grand Hotel Europe. Peterstar also has hot spots operating at Pulkovo 1 Airport and the Pit-Stop entertainment center, as well as two web access and web-cam terminals at Idealnaya Chashka coffee shops in the city.

Quantum, whose most popular local area network, or LAN, locations are at the Saigon café, the House of Journal-



The Saigon cafe on Nevsky Prospekt is one of 17 free but underused Quantum Communications WiFi hotspots in the city.

SERGEY GRACHEV/SPT



operating frequencies, average consumers are less able to benefit from these opportunities than their foreign counterparts. In this special issue, *The St. Petersburg Times* examines new trends and pressing issues on the telecommunications market.

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**Your Site Name Occupied?**  
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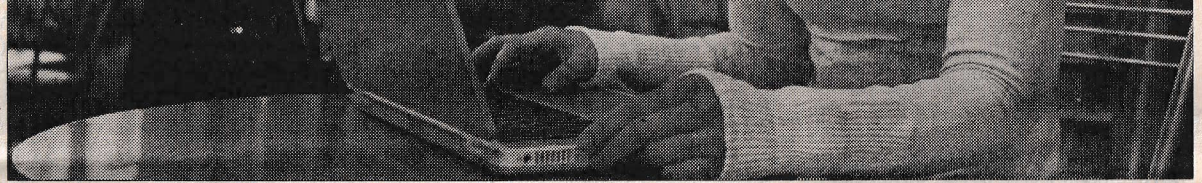
**Not Just Third Generation**  
New 3G technology not only lets you play games. It can save you thousands of dollars. *Page 10.*

**Don't Knock the Postman**  
Russian Post seeks to polish its dreamy service-noon image with

Grand Hotel Europe. Pulkovo also has hot spots operating at Pulkovo 1 Airport and the Pit-Stop entertainment center, as well as two web access and web-cam terminals at Idealnaya Chashka coffee shops in the city.

Quantum, whose most popular local area network, or LAN, locations are at the Saigon café, the House of Journalists on Nevsky Prospekt and the Mirage Cinema on Bolshoy Prospekt, has tried to make WiFi access a paid service, but the client base in the city has proved to be insufficient, Yuliya Khusainova, a spokeswoman for Quantum said in an interview.

Even those users who own the necessary hardware — almost all modern laptops are supplied with imbedded wireless networking adapters — often lack information about the standard. “The technology itself offers enormous advantages and convenience, but a product is worth nothing without marketing. Any market has to be created,” Russian InfoBusiness magazine recently quoted Denis Milyushenko,



**The Saigon cafe on Nevsky Prospekt is one of 17 free but underused Quantum Communications WiFi hotspots in the city.**

telecommunications department director at Rekssoft — the country's premiere system integration company — as saying. Meanwhile, no active advertisement of WiFi is in the works, even at the Grand Hotel Europe. “We must be 100 per cent confident in the product we advertise,” the hotel's chief engineer Sergey Ivanov told Electronic Russia project organizers, as quoted on the e-Russia site.

At the same time, WiFi is picking up steam around the world. In neighboring Estonia, wireless LANs exist at as many as 248 locations — mainly gas stations, restaurants, hotels and even open-air town squares — and cover a total of 45,000 square kilometers.

Half of the Estonian hot spots are free, and the rest can be accessed for a daily fee of a little over \$1, Ain Parmas head of media relations at the country's leading IT company Elion, said in a telephone interview Monday. In the United States, access points are springing up everywhere, including shopping malls and even entire city blocks. Global investment firm Goldman Sachs expects to see 20 million wireless LAN, or WLAN users in Europe by 2006 at over 90,000 hot spots. That told, Microsoft and Intel are planning to introduce total wireless access across the United States by around 2010, said Konstantin Kovalchuk, marketing specialist at

CROC, another well-known system integrator in Russia.

While most of the Russian providers are offering WLAN access based on the 802.11b standard, the American Institute of Electrical & Electronics Engineers, or IEEE, has already ratified a faster specification of 802.11g, which is also referred to as Wireless-G. Most 802.11b devices don't achieve bandwidth of more than four to five Mbit despite their reported bandwidth of 11 Mbit, but that is still enough for e-mail, web browsing, digital music streaming and small amounts of file sharing, says telecommunications analyst Paul Thurrott. According

**See WiFi, Page 8**

## More Than Missives, SMS Provides Variety

By Roman Shukhevich  
SPECIAL TO THE ST. PETERSBURG TIMES

Most city residents associate mobile telephones with two types of services: conversations and the short messaging system, or SMS. At the same time, SMS services in Western Europe are reaching beyond the bounds of just connecting mobile phone users to each other. They are gradually assuming the form of an interactive news channel that could soon rival the Internet.

Russia now counts about five million active Internet users, and by the end of 2003 about 32 million Russian citizens owned mobile phones. So the opportunities for reaching people through cellular networks is quite promising.

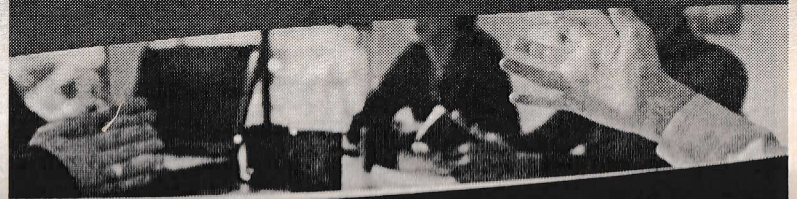
But the opportunities have not been exploited. Only a small number of citizens use this interactive media channel. In St. Petersburg, according to some es-

of mobile subscribers don't use SMS services at all,” Stanislav Beloborodov, general director of the e-Inform company said. Most of those who do use the services stick to sending and receiving messages among friends.

Between 15 percent and 20 percent of mobile phone users take advantage of other SMS services, but the uses are limited. Most order new tunes or graphics for their cellular phones. This form of service brings providers the majority of their revenues from SMS services outside of “one-on-one” communication between subscribers.

SMS chat rates second in terms of popularity. This service allows people — often complete strangers — to communicate via messages. In St. Petersburg and Moscow two local television stations have agreements with MegaFon, MTS, Bee Line GSM and Infon to

- Allocation of dedicated channels of high-speed access to the Internet
- Association of territorially distributed local networks
- Creation of public zones of access to the Internet according to the Wi-Fi technology
- Digital telephony
- Organization of temporary and backup communication links



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# WIFI

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to Thurrott, the 802.11g WiFi, offering a throughput of up to 54 Mbit, typically allows a speed of 22-25 Mbit, adequate for streaming video, fast action gaming and heavy file transfers.

Besides greater capacity, Wireless-G applications possess better security solutions. Microsoft's Wireless-G products support the WiFi Protected Access, or WPA standard, which offers superior security as compared to the functionality available with 802.11b networks on the Wired Equivalency Privacy, or WEP, which most experts call weak.

The security issue is most important when WiFi technology is introduced at company offices. In Russia, each integrator comes up with its own security solutions. The most developed security features are reported to be provided by Cisco Systems. As for public access points, the degree of security is naturally lower. Besides, there are a number of pirate 802.11b networks emerging, mainly in Moscow.

The capital's legal hot spots are being set up by such companies as Tascom and Wiland, but there are currently fewer spots in Moscow than in St. Petersburg. Office usage of WiFi in Moscow is slightly more developed, with one example being Yukos. According to Kovalchuk, the marketing specialist at CROC, very few large companies have had WLAN integrated at their St. Petersburg offices.

Meanwhile, many American offices and homes are getting base stations installed since prices on Microsoft's new Wireless-G Notebook Kit — including base station plus adapter — do not exceed \$200 in the U.S. In St. Petersburg, Kovalchuk said, adapters are offered by integrators for around \$300 and base stations are set up for \$600.

Milyushenko of Reksoft points to Russia's high degree of bureaucracy as the main factor impeding market devel-

opment and competition. For example, as opposed to Europeans and Americans, Russian providers and integrators and base station-owners are required to obtain expensive licenses from GosSvyazNadzor authorizing their use of the 2.4Ghz, 3.5 Ghz, 5.6Ghz and other frequencies on which WiFi operates.

Over the past two years, the procedure for receiving permission to utilize WiFi in the 2.4Ghz range has been simplified, which has helped to make the licensing period six to ten times shorter, and also cut costs for operators.

But actions taken remain insufficient, the Open Systems publication LAN writes. According to LAN's Sergei Orlov, WiFi development may progress faster in Russia if the legislative barriers are lifted. The Russian Association for Networks and Services, or RANS, is currently looking for a frequency scope that could become available on a license-free basis.

Viktor Koval of Geysler research and development company is concerned with yet another critical aspect of wireless broadband networking in Russia: lack of expert assessment in frequency distribution, which often leads to problems with radio compatibility. Kovalchuk of CROC agrees, adding that in cases of overlaps with governmental channels it is clear that commercial channels will have to give in. Yet Kovalchuk expects frequency distribution to be reviewed and licensing procedures to ease in the nearest future.

The largest players in the St. Petersburg wireless market don't complain about licensing, which is running smoothly in their case and protects them from any unwanted competitors. "We have no problems with licensing anymore," said Quantum's development director Denis Kulikov. In his view, what is really holding WiFi back in Russia is the country's general "technological backwardness."

"We need more actual notebook carriers," Kulikov said.

## USER VIEWS

### Do you use SMS services?

Ivan Skorobogatov, computer retailer

"The only service I subscribe to is exchange rate updates. If there's a significant change in the dollar or euro rate, then my employees will be able to change the prices on the sales floor or even close the shop in time."

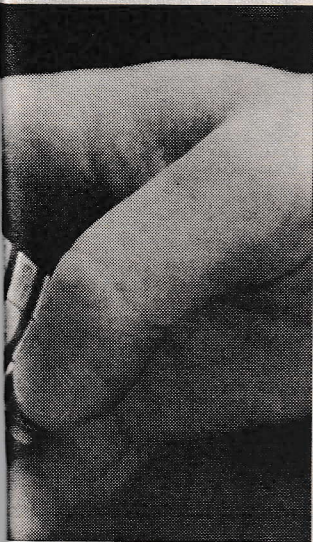
the service brings, receiving SMS messages while talking to partners boosts my image in a positive way, I think. When I'm in the car I order information on traffic jams and that really saves time."

Daniil Arkharov, student at the Krupskaya Culture Academy

"I don't subscribe to any lists and don't use SMS services, although I understand the advantages they offer. And I rarely send messages to my friends — maybe once a week. I do just fine talking on the phone."

Sergei, a PR company employee

"I get my horoscope and St. Petersburg news all the time. I'm most interested in the latest changes on the political scene since my job is closely connected with politics. In addition to the information



SERGEY GRACHEV/SPT

g and e-democracy, coming soon.

this service in the next month. If the customer receives an advertisement that intrigues him, he can choose to view the accompanying picture or video. Receiving the graphics costs extra, but the video can be viewed by clicking on the image. "Our clients will be able to see the World Trade Center collapse," says the creators of the service, the company, advertise grimly.

so-called "electronic democracy" program is still in the development stage. Those interested in politics will be able to follow St. Petersburg Legislative Assembly sessions and criticize the deputies by SMS. The market for such a service is as yet unclear since many sessions belong to their category and are often seen as boring by participants. Who knows if average citizens who hardly use the news service will be intrigued by a direct line with the legislature.

Providers say little or nothing about their new services. They prefer to keep their valuable ideas under wraps. These days, it is more of a challenge to come up with a service the customer will want than to get the technology to support it.

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