

MTS CEO Warns of \$585M in Lost Turkmenistan Profit

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Mobile TeleSystems has filed lawsuits against Turkmenistan's Communications Ministry for suspending its license to operate, and the Russian government has intervened to defend MTS's interests.

The ministry suspended for a month the license of Barash Communications Technologies Inc., or BCTI, in which MTS holds a controlling stake. As a result, the company was forced to turn off its network.

MTS decided to contest the decision with the International Chamber of Commerce's arbitration court in Geneva, accusing the ministry of violating a trilateral agreement signed by MTS, BCTI and the Turkmen Communications Ministry in 2005. MTS also challenged the decision in a Turkmen arbitration court, the mobile operator's press service said Tuesday.

Meanwhile, MTS continues to hold talks with the ministry and the Turkmen government.

The Russian government is aware of MTS's problems in Turkmenistan and steps are being taken to defend the company's interests, said Dmitry Peskov, the press secretary for Prime Minister Vladimir Putin. The prime minister does not currently have any talks with Turkmen officials scheduled, Peskov added.

Over the course of five years, BCTI paid the ministry 20 percent of its net income, which amounted to \$10.9 million last year. But the agreement expired Tuesday, and the ministry did not extend it, a spokesperson for MTS said.

A number of agreements with MTS units on renting space and frequencies have already been annulled in Turkmenistan, and the company has received a letter ordering it to dismantle equipment there by Jan. 1, a source close to one of the sides in the conflict said.

After MTS's network went down, the only remaining mobile operator in Turkmenistan was state-owned Altyn Asyr. As of Sept. 30, MTS had 2.39 million subscribers in Turkmenistan, compared with several hundred thousand for Altyn Asyr, according to estimates by AC&M Consulting. The local producers' offices saw lines of customers waiting hours to obtain new SIM cards.

A spokesperson for the Turkmen Embassy in Moscow declined to comment, while phone calls to the country's Communications Ministry and Altyn Asyr went unanswered.

MTS, controlled by billionaire Vladimir Yevtushenkov's Sistema holding company, has mobile and fixed-line businesses in Russia, Armenia, Belarus, Ukraine, Uzbekistan and Turkmenistan. More than 46 percent of the company's shares are traded on the New York Stock Exchange.

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