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To,
Shri Deepak Sharma,
Advisor (B & CS),
Telecom Regulatory Authority of India,

Sir,

Sub: CP on Reserve Prices for auction of FM Radio channels

We are a CAG of TRAI and we wish to submit our counter comments to the comments and the consultation paper on "Reserve Prices for auction of FM Radio channels" for your kind perusal.

We have general observations which we list first, followed then by specific counter comments to some of the comments submitted on issues raised in the consultation paper.

A. General Observations

1. We as a consumer organisation would like the consumers in different cities to have access to FM Radio Broadcast services and right of choice from many FM stations in the a city/town. If however, existing broadcasters or new entrepreneurs do not bid for channels, then in addition to the revenue loss to the Government of India, Consumers rights are comprised and they lose. As the consultation paper informs that this has happened in the past. Hence it is necessary that the Reserve Price is NOT considered an entry barrier by the existing or new broadcasters. So the Reserve Price has to be attractive without revenue loss to government and also allow for disruption with new players entering the market enabling innovation and job/entrepreneurial opportunities.

2. We find that there is lack of updated data on the parameters that TRAI has considered and this is mentioned in the consultation paper itself. In the media sector, with rapid changes in technologies and consumer choice, this is critical. Moreover, this is common problem in many sectors and it would be necessary for the regulator and the industry to urgently address this issue. There are many

negative consequences of this including loss of revenue, improper policy formulation and inability to assess policy impact. We hope TRAI would initiate steps in consultation with stakeholders and academia to address this important issue, especially in today's data-driven world.

3. We find that the lack of data has led to different responses to the Reserve Price for example, which are just arbitrary in nature and not logically or evidence based. Hence, we feel that policy formulated in such a scenario would not lead to an ordered growth of the market resulting in a situation with the listener/consumer suffering either without FM Radio Channels or lack of choice of channels.

4. There is increasing urbanisation and also with rapid increase in purchasing power of the urban masses, both of which is not captured by the current criteria or data. We believe that TRAI should address these issues before proceeding with the changes in policies.

B. Specific Counter Comments

Q1. Do you agree that the methodology used in TRAI's recommendations dated 10th April 2020 for determining reserve prices of FM Radio channels should be used for determining reserve prices of FM Radio channels in the cities of Bilaspur, Rourkela and Rudrapur?

a. If yes, please provide a detailed justification for your views.

b. If no, please suggest an alternative approach/ methodology with details and justifications.

TRAI should obtain updated and relevant data before proceeding with the determination of Reserve Price and other issues, so the policy is better formulated. As an example it may be necessary to increase the number of Categories of cities to reflect the market potential more accurately.

Q2. Due to non-availability of updated radio listenership estimates data and Market Intensity Index, whether the same data, as used in 2020 recommendation, can be used in the present exercise as well? In case the answer is no, which alternative data/methodology can be used for the same purpose?

TRAI should obtain updated and relevant data before proceeding with the present exercise, as the market has undergone drastic changes in size, purchasing power, listenership etc.

Q3. Should a multiplication factor of 0.7 be used for estimating the reserve price from average valuation of FM Radio channels?

No. As mentioned in our general observations, different multiplication factors are suggested by the respondents without justification of data. This would lead to policy formulation with sub-optimal results, consequentially affecting the availability of FM radio broadcast service and consumer choice, as past experiences which are listed in the consultation paper indicate.

Hence, We believe that a single multiplication factor should not be used for all the categories of cities, as the market potential of the cities within a category and across the categories are different.

Further to allow for competition and innovation in the market place to ensure that consumer/listener benefit there is a need also to provide support for regional or new players. Otherwise this could lead to a duopoly or monopoly even in bigger markets and none in small towns. This is trend in many sectors in the country already.

However as an alternate, the Gross Revenues of the Broadcasters are available with the Government could be used for the calculation of the Reserve Price.

The Reserve price should be kept X times the average gross revenue of the broadcasters in a particular city, as the urban markets will continue to expand in population and in purchasing power over time.

Q4. How should the reserve prices for 18 cities identified by MIB in hilly states/UTs be determined: -

a. Whether it should be kept at Rs. 5 lakh as like cities of 'Others' category?

b. Whether any other methodology to be used for determining the reserve price in these cities ?

Please support your response with proper justification(s).

With lack of data, any specific amount would be arbitrary. However to ensure that the consumer have the service and choice of service, we suggest that it should be as low as possible when the service is being introduced for the first time in any city/town. Then raised when the market develops.

With lack of data, we would agree with the other stakeholders that reserve price of Rs. 5 lakhs may be kept.

Q5. Besides the Technical parameters i.e. Effective Radiated Power (ERP) and Antenna Height (EHAAT)] as proposed by MIB for category 'E', should the provisions related to the 'Financial Competence', 'Number of Frequencies' and 'Annual Fee' applicable to the 'Others' category under Phase-III policy guidelines be made applicable to category 'E'? If not, what provisions should be prescribed for these parameters?

Please support your response with proper justification(s).

We agree with the comments made by the other stakeholders. The fees and other non-technical policy guidelines should be such that it does not create entry barriers especially in the hilly states/UTs.

As such lowering of fees or exemption in fees should be one of the guidelines. In addition, permitting the broadcaster the freedom to locate his station in a place of

his choice would lower the investment and motivate the new entrepreneurs to enter.

Q6. Stakeholders may also provide their comments/ suggestions on any other issue that may be relevant to the present consultation.

No comments.

Thanking you,
Yours Sincerely,

GOPAL RATNAM
Secretary
Consumer Care Society