

Hanamkonda Communication- Warangal

1. Are the figures in Annexure B3 representative for the different genres of broadcasters? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the genre, and not of your company.

- The Non availability of exact Data makes it impossible to provide any representative figures.

2. Are the figures in Annexure B5 representative for aggregators? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

- Confirming on the representative figures cannot be done, since the exact data is not available.

2. Are the figures in Annexure B7 representative for the national MSOs? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

- On the total revenue generated the average contribution on subscription is around 30% and the average contribution on carriage is around 65% to 70% and a meager of up to 5% is from advertisement revenue on the local channel.

4. Are the figures in Annexure B7 representative for the regional MSOs? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

- This is not correct as the subscription contribution is around 60% to 70% and the carriage contribution is around 20% to 30% on the total revenue and other revenue sources such as advertisements contributes around 10%.
- The representation on the Broadcasters payout to subscription ratio of 4:1 is not the correct representation of the market condition, whereas the broadcasters has given better deals on the cost side for the content to the regional players to have a check on the national players.

5. Are the figures in Annexure B9 representative for the LCOs with > 500 subscribers? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

- The declaration shown in Annexure B9 as 25% is not correct; the average declaration across the south Indian market such as Hyderabad and Bangalore is around 10% to 15%.
- The LCO's never upgrade their networks at par with the technology growth and leave the burden on the MSO's, the operational expenses cannot be more than 40% on the total revenue for the LCO's. The EBIDTA margin for the LCO's in south Indian markets is around 55% to 60% as against 14% represented.

6. Are the figures in Annexure B9 representative for the LCOs with =< 500 subscribers? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

- The derived calculation of 15% for EBIDTA margins is not correct it should be in the around 35% to 45%.

7. What according to you is the average analog monthly cable bill in your state or at an all India level?

- The analog monthly cable bill average is around Rs.150/- to Rs.165/-.

8. Is the market for cable services in non-CAS characterized by the following issues?

- (i) Under-reporting of the analog cable subscriber base
- (ii) Lack of transparency in business and transaction models
- (iii) Differential pricing at the retail level
- (iv) Incidence of carriage and placement fee
- (v) Incidence of state and region based monopolies

(vi) Frequent disputes and lack of collaboration among stakeholders

- The Cable Service market in non CAS areas is mainly characterized by under reporting apart from all the issues mentioned.

9. Are these issues adversely impacting efficiency in the market and leading to market failure?

- The issues mentioned definitely impact adversely leading to the market failure, particularly the MSO's are the most affected, whereas the LCO's gain the most.
- Other factors such as differential pricing at the retail, carriage and placement, state or regional based monopolies are driven by market forces and have no impact on the industry.

10. Which of the following methodology should be followed to regulate the wholesale tariff in the non-CAS areas and why?

i) Revenue share

ii) Retail minus

iii) Cost Plus

iv) Any other method/approach you would like to suggest

- Revenue Sharing should be the best methodology to be followed to regulate the tariff in Non CAS areas for a better and transparent method.

11. If the revenue share model is used to regulate the wholesale tariff, what should be the prescribed share of each stakeholder? Please provide supporting data.

- On the total revenue generated from the subscription from LCO's the MSO's and the Broadcasters shall share in the ratio of 60:40.
- Since all the broadcasters use the TAM reports for leveraging their advertisement revenue the same TAM reports can be used for sharing the revenue amongst all broadcasters, the sharing indexes shall be released by TRAI.
- The MSO shall be providing auditable reports on an quarterly basis to TRAI.

12. If the cost plus model is used to regulate the wholesale tariff, should it be genre wise or channel wise?

- **Not applicable**

13. Can forbearance be an option to regulate wholesale tariff? If yes, how to ensure that (i) broadcasters do not increase the price of popular channels arbitrarily and (ii) the consumers do not have to pay a higher price.

- **Not Applicable**

14. What is your view on the proposal that the broadcasters recover the content cost from the advertisement revenue and carriage cost from subscription revenue? If the broadcaster is to receive both, advertisement and subscription revenue, what according to you should be the ratio between the two? Please indicate this ratio at the genre levels?

- **The Channels which are subscription driven shall not be allowed to collect advertisement, and the Channels which are advertisement driven shall not be allowed to collect subscription, and more over the investment is huge for the infrastructure to set up and to run an MSO, and the proposal cannot work in a market where 70% of the channels are FTA.**

15. What is your view on continuing with the existing system of tariff regulation based on freezing of a-la-carte and bouquet rates as on 1.12.2007; and the rate of new channels based on the similarity principle at wholesale level? You may also suggest modifications, if any, including the periodicity and basis of increase in tariff ceilings.

- **The pricing shall be market driven in the event of broadcaster payout being linked to sharing of Subscription revenue, whereas in the current situation the broadcasters enjoy undue control and dominance and force bouquet offer on MSO, the Broadcasters should not demand an increase in declaration which will result in a la carte option being not viable.**

16. Which of the following methodologies should be followed to regulate the retail tariff in non-CAS areas and why?

i) Cost Plus

ii) Consultative approach

iii) Affordability linked

iv) Any other method/approach you would like to suggest

- Affordability linked method should be followed.

17. In case the affordability linked approach is to be used for retail tariff then should the tariff ceilings be prescribed (i) single at national level or (ii) different ceilings at State level or (iii) A tiered ceiling (3 tiers) as discussed in paragraph 5.3.23 or (iv) Any other

- A 3 tiered ceiling should be prescribed.

18. In case of retail tariff ceiling, should a ratio between pay and FTA channels or a minimum number of FTA/pay channels be prescribed? If so, what should be the ratio/number?

- Out of around 450 Channels approved by TRAI the PAY channels is around 125 which is around 30:70 ratio, hence the retail tariff shall be structured based on this ratio.

19. Should the broadcasters be mandated to offer their channels on a-la-carte basis to MSOs/LCOs? If yes, should the existing system continue or should there be any modification to the existing condition associated with it?

- Yes, the Broadcasters should be mandated to provide channels on a la carte basis, and the declaration shall remain the same, since the market is driven by regional channels particularly in South India, when compared to rest of India, the MSO should get an opportunity to pick and choose the required channel and pay accordingly, MSO's shall not be forced to subscribe the non performing channels.

20. How can it be ensured that the benefit of a-la-carte provisioning is passed on the subscribers?

- When affordability linked method of pricing is adopted, automatically the benefits will reach the subscribers, and the competitive market forces will ensure the consumer in getting the benefits of a la carte.

21. Are the MSOs opting for a-la-carte after it was mandated for the broadcasters to offer their channels on a-la-carte basis by the 8th tariff amendment order dated 4.10.2007. If not, why?

- Throughout the country the a la carte is not implemented because of the pressure mounted by the broadcaster to increase the subscriber base in case of a la carte offering and more over the competition among National level MSO, does not permit to increase the sub base.

22. Should the carriage and placement fee be regulated? If yes, how should it be regulated?

- Carriage and Placement can not be regulated because it is purely driven by the market force and varies from place to place, the regional channels for example ETV and Gemini do not pay any carriage fees in their respective regions whereas they pay carriage fees in rest of the country and hence it can not be regulated.

23. Should the quantum of carriage and placement fee be linked to some parameters? If so, what are these parameters and how can they be linked?

- Auctioning of Frequency similar to spectrum auction in telecom shall be done thereby allowing the market forces to determine the price of a Frequency.

24. Can a cap be placed on the quantum of carriage and placement fee? If so, how should the cap be fixed?

- Since the carriage and placement is based on demand and supply, Cap can not be placed on the quantum of fee.

25. Is there a need for a separate definition of commercial subscriber in the tariff order?

- Yes there should be a definition for commercial subscriber.

26. If the commercial subscriber is to be defined in the tariff order, then does the existing definition of 'commercial subscriber' need to be revised? If yes, then what should be the new definition for the commercial subscriber?

- The information pertaining to Commercial subscriber tariff is not available.

27. In case the commercial subscriber is defined separately, then does the present categorization of identified commercial subscribers, who are not treated at par with the ordinary subscriber for tariff dispensation need to be revised? If yes, how should it be revised?

- The information pertaining to Commercial subscriber tariff is not available.

28. Should the cable television tariff for these identified commercial subscribers be regulated? If yes, then what is your suggestion for fixing the tariff?

- The information pertaining to Commercial subscriber tariff is not available.

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29. Do you agree that complete digitization with addressability (a box in every household) is the way forward?

- Complete Digitalization with addressability is the only way forward.

30. What according to you would be an appropriate date for analog switch off? Please also give the key milestones with time lines.

- 5 years starting from now which should end in the year 2014.

31. What is the order of investment required for achieving digitization with addressability, at various stakeholder levels (MSOs, LCOs and Customers)?

- The total investment required for achieving complete digitalization with addressability will be around Rs.35,000/- Crores, of which majority of the investment has to be made by the MSO, the distribution of investment can be ascertained by market condition or either by an regulatory, since Broadcasters would be benefited the most they should also be forced to contribute in the Investments for the Complete Digitalization.

32. Is there a need to prescribe the technology/standards for digitization, if so, what should be the standard and why?

- Since the existing technologies are still being on the development stages it will be premature to fix are prescribe the technology standards.

33. What could be the possible incentives that can be offered to various stakeholders to implement digitization with addressability in the shortest possible time or make a sustainable transition?

- The MSO implementing digitalization and addressability shall be awarded the status and benefits at par with infrastructure industries.
- Import duty / Excise duty / VAT / Sales tax on Set Top Box shall be exempted for a period of at least 5 Years directly for the MSO's for implementing digitalization.
- Incentives on Income tax / VAT and Service tax at par with R&D Companies shall be allowed for a period of 5 Years for the MSO's implementing digitalization and addressability.

34. What is your view on the structure of license where MSO's are licensed and LCOs are franchises or agents of MSOs?

- A minimum Nett Worth for the Company applying for MSO license shall be introduced.
- LCO license shall be issued to become a franchisee or an Agent of an MSO and renewed based on the No due Certificate issued by the existing MSO they are connected with or while changing from One MSO to another MSO.

35. What would be the best disclosure scheme that can ensure transparency at all levels?

- Disclosure of Copies of Monthly Invoice to Customers by the relevant MSO's.

- Disclosure of Quarterly Revenue Statements by all party concerned as prescribed by the TRAI.

36. Should there be a 'basic service' (group of channels) available to all subscribers? What should constitute the 'basic service' that is available to all subscribers?

- There should be a basic service which shall include Doordarshan's 3 National level Channels and 2 Regional Level Channels.

37. Do you think there is a need for a communication programme to educate LCOs and customers on digitization and addressability to ensure effective participation? If so, what do you suggest?

- Since Digitalization and addressability requires good no of work force with high level of skills and time consuming, TRAI shall ensure that relevant training programme to be conducted and participated by the LCO's.
- Informative Advertisement shall be aired in the Channels, and Advertisement published in the Print Media to educate the Customers about the benefits of Digitalization and addressability.