

CONSULTATION PAPER ON MARKET STRUCTURE/COMPETITION IN CABLE TV INDUSTRY

Q 1 There are multiple options for consumers for availing television services. Do you think that there is sufficient competition in the television distribution sector? Elaborate your answer with reasoning/analysis/justifications.

Q 2 Considering the current regulatory framework and the market structure, do you think there is a need to regulate the issue of monopoly/oligopoly/market dominance in cable TV Services? Do provide reasoning/justification, including data substantiating your response

COMMENTS

Cable TV and broadband market has intense completion and it is increasing day by day due to new entrants in the market. The number of MSOs in the country has increased to 1720 numbers in 2021 and there are 4 major DTH players. There are 160000 LCOs operating in the country to cater 103 million subscribers. There are 12 MSOs and 1 IPTV service provider having more than one million subscriber base. Pay DTH players in the country has more than 70 million subscribers and they have presence in almost all states and are capturing the market share of MSOs and LCOs creating stiff competition and unethical pricing and content delivery strategies. Even in Broadband also public and private players in telecom sector are capturing local customers not only in wireless broadband but also in growing wireline broadband.

Except some MSOs operating regionally all other MSOs are operating pan India with huge volume and having high finance capacity. Their main objective is to invest heavily to capture local and rural market where there is future potential of M&E industry and they can ensure higher revenue and profitability. At the same time new regulation has put more pressure on LCOs to implement quality and service conditions prescribed by regulation for which they invested heavily on the network but with decreasing returns. The latest reforms reduced the cable subscriber base by 26 million and COVID has another heavy negative impact on this business. Some MSOs are not considering the problems faced by LCOs who have also invested heavily during digitization and post NTO period to ensure quality of service

parameters. So many LCOs cannot operate the business profitably and left the sector.

Business model formulated by some MSOs in some states with the participation of LCOs has helped to create a positive atmosphere by resolving the issues faced by these LCOs in the ground level and these MSOs could support the LCOs to withstand the issues faced by them due to NTO. Moreover the support provided by these MSOs in smooth implementation of NTO and technical support to embrace new technologies helped LCOs to survive in this industry. This model of business could insulate unhealthy competition from giants and to ensure healthy competition in the market. There is no need to control these MSOs and instead we need to support them to increase the volume of their business operation as it will be helpful to customers to get better service at better price and to help LCOs to invest on technologies like FTTHn to provide triple play service to customers especially in rural market where our Country depends on its future economic growth.

BUSINESS VOLUME AND OPERATIONAL VIABILITY

During digitization operators were invested heavily on STB and upgradation of network infrastructure. They expected that this investment will fetch high returns on their investment with the enhanced revenue due to improvement in quality of service, increase in connections and introduction of value added services. But unfortunately digitization has helped broadcasters to increase their revenue as a result of transparency in counting connection base though they were the mute spectators during the time of digitization without investing on this mammoth effort. Digitization provided better TV viewing experience, availability more number of channels and better service to customers. Soon after digitization of cable network TRA introduced new regulation which was a big blow to MSOs and LCOs as their revenue has come down drastically due to the introduction of NCF, without giving any solace to operators who have invested heavily for this transition.

The MSOs who have been formed by LCOs are trying their best effort to increase volume of business to avoid mounting loss and to reach business breakeven and also to support LCOs in their best effort to invest further for providing effective broadband service to their customer competing big telecom giants. Under these circumstances putting restriction on volume of business and area of operations of

MSOs and LCOs will have serious negative repercussions in this industry and will pave way for ruin of this indispensable sector.

DIGITAL CABLE CONNECTION STATUS IN KERALA

Sl.No	NAMEOFMSO	No.ofConns
1	ASIANETSATELLITECOMMUNICATIONS	1184821
2	ATHULYAINFOMEDIAPLTD	24942
3	BHOOMIKADIGITALCABLE-	96768
4	COWMALAYACABLEVISION	7800
5	DIGIMEDIACABLENETWORKS	1945
6	I-VISIONDIGITAL	72775
7	INDIANDIGITAL	2500
8	KERALACOMMUNICATORSCABLELTD	2434485
9	KOLLAMINTERNETCABLEDISTRIBUTORS	38254
10	KOZHIKODUCABLECOMMUNICATIONS	72046
11	KRISHNAENTERPRISES	3606
12	MALANADCOMMUNICATIONS	47019
13	SATLINKS	61125
14	STARVISIONNETWORKS	670
15	YESDIGITALSOLUTIONS	28686
16	DENNETWORKSLIMITED	316780
17	SITINetworkSLIMITED	65000
Sl.No	DTHOPERATORS	No.ofConns
1	SUNDIRECT	1647000
2	TATASKY	528000
3	DISHTV	49000
4	RELIANCE	187000

On the analysis of the above data, it is clear that there is no need of monopoly control for cable business in Kerala and it is crystal clear that there is strong move from operators to join with MSOs being formed by them to safeguard their interest and customer interest. With the support of such MSOs they are investing in building infrastructure for facilitating broadband penetration in both urban and rural areas.

Due to improved efficiency in operation they could provide better service at better price to last mile customers. Any control on volume of business in the name of creating competition will definitely lead to service cost hike and it will in turn result in poor service and high price.

Q 3 Keeping in view the market structure of television broadcast sector, suggest proactive measures that may address impending issues related to monopoly/market dominations in cable TV sector? Provide reasoning/details, including data (if any) to justify your comments.

COMMENTS

Actually cable TV industry is facing acute competition now a days and this industry is facing acute revenue fall. MSOs and LCOs are finding it very difficult to cover up the escalating cost especially network maintenance cost. There is competition from major ISPs who are now entering into not only wired broadband business but also content distribution business with huge investment. Top DTH players in the country are adopting unethical marketing strategies to woo cable customers and it is adversely affecting the existence of local cable operators and even MSOs. Customers, especially new generation customers, have an inclination towards online content and OTT platforms which is a major threat to conventional cable entertainment industry. Now MSOs and LCOs are not seeing any bright future in linear TV business and shifting focus on investing in broadband infrastructure to survive in the industry. Unlike other states there is high pressure from Electricity authorities in Kerala to charge high rate on using electric post for cable pulling. Operators cannot bear this huge cost when cable subscription is falling due to frequent amendments in cable regulations. If we are focusing on customer welfare and satisfaction, then we need to give impetus to this decaying industry with Government support by way of providing infrastructure status and other supports rather than putting curb on the business in the name of creating competition.

Capacity constraints inhibit LCOs from complying with regulations and improving consumer experience. The primary roadblock they faced during the transition to new regime are the lack of required infrastructure. Distributors faced no pressure from the market to improve their services due to last –mile monopolies in some states. Fostering competition and addressing capacity constraints among last mile business could have led to better outcomes in the TV market. In some states MSOs

promoted by LCOs took this task of providing infrastructure support to LCOs and ensured better service to customers as per quality standards prescribed by TRAI.

Q 4 Do you think that there are entry barriers in the Indian cable television sector? If yes, please provide the list and suggest suitable measures to address these? Do provide full justification for your response.

The question of entry barrier in cable and DTH industry depend on so many realities existing in this struggling industry. The initial cost of setting up an MSO/LCO network or DTH infrastructure is the main challenge to any new entrants in this business. For a new entrant to make success in this business needs to create big customer base which is not an easy or practical method as far as the nature of this industry is concerned. Unlike other industries, creating a customer base itself requires huge investment on STB/Network infrastructure and the potential customer base has already been created by existing operators for a long time and have created a good rapport between customers and operators. A new entrant has to compete with with local operators and DTH players who have already established in the market and on a price war to survive. Customer service is another area where a new entrant will fail as local cable operators are providing effective last mile service despite strict quality regulations by TRA and replacing this service efficiency by local operators will be challenging task to any new entrant. It will take a long time for any new entrant to stabilize and establish in this industry and will take long period to reach break-even in their business.

To open a smooth way for new entrants to create competition in this industry authorities have to study the economics of this business thoroughly and should take steps to make it profitable for new investors. It will be a utopian idea to open this industry for new entrants when the existing stakeholders are striving and find it difficult to survive.

Q 5 Do you think that there is a need to regulate LCOs to protect the interest of consumers and ensure growth/competition in the cable TV sector? If yes, then kindly suggest suitable regulatory/policy measures. Support your comments with reasoning/justifications.

COMMENTS

LCOs are the crucial and indispensable link in the value chain of cable and entertainment industry in India. Supporting them is more important than controlling them. Each amendment in regulations have resulted in higher investment from LCOs and diminishing return from the business. Digitization of cable industry and subsequent changes in regulations had put sufficient controls on LCOs to ensure prompt and effective service to last mile customers who are enjoying increased number of channels at lesser price but with good quality TV viewing experience. During the time of pandemic also LCOs had contributed their best effort to ensure uninterrupted digital and broadband service to customers, though connection loss and fall in subscription collection adversely affected LCOs. Eventhough LCOs play a critical role in M&E industry, Government has ignored this segment fully while providing maximum support to other industries. Since there are so many options like DTH and OTT platforms to customers to access entertainment and information, there is no meaning in implementing control measures on LCOs to eliminate monopoly or oligopoly. LCOs are investing huge amount for FTTH and for procuring hardware like OLT and ONT to provide broadband service to their customers so as to retain their business despite stiff competition from big ISP.national level MSOs and online video streaming platforms.

Government should utilize the service of LCOs and their cable broadband networks to uplift the economy and empower citizens. MSOs and LCOs can play a crucial role in increasing broadband penetration in rural and disadvantaged urban areas and help bridge India's widening digital divide. Cable operators are small business men earning low profit and in smaller business units. They are effectively utilizing local resources including manpower to ensure effective customer service. Linking them with National Fiber-optic network to provide broadband to their subscribers will give them additional income and it will in turn help the economy to grow. Regulators need to analyze it and propose an effective business model to MSOs and LCOs rather than deliberating in controlling them and destroying their business potential.

Q 6 What should be the norms of sharing infrastructure at the level of LCOs to enable broadband services through the cable television infrastructure for last mile access? Is there a possibility that LCOs may gain undue market control over

broadband and other services within its area of operation? If yes, suggest suitable measures to prevent such market control. Provide detailed comments and justify your answer.

COMMENTS

LCOs in the ground level are providing broadband service of various ISPs through their network and by using their broadband infrastructure. In wired broadband no ISPs can deliver broadband directly to customers except in some cases where some ISPs have direct network for broadband and cable services. Majority of ISPs are providing broadband service to customers through LCOs and they are sharing their infrastructure optionally. These operators are bearing the cost of hiring Electricity poles which is being used for pulling fiber to every nook and corner of their geographical area to provide signal to last mile customers. Here the quality of service and commercial terms by ISPs will be the deciding factor for LCOs to share their infrastructure for each ISPs. It may be considered to enact suitable regulatory measures if LCOs become a monopoly in their areas using the advantage of their infrastructure in that particular geographical area. In telecom business infrastructure sharing is happening in ISP level to provide cost effective service to customers. Infrastructure sharing at LCO level will facilitate to establish broadband service to rural areas where even big ISPs find it difficult to develop their own infrastructure for effective broadband service.

Now majority ISPs are collaborating with grass root level LCOs to provide internet solutions to rural economy where our country focuses on future economic development. In Kerala Government has launched KFON project to provide effective broadband service at lower price to all segment of population by formulating an infrastructure sharing model. Regulator can adopt some policies for mandatory sharing of infrastructure at LCOs level for speedy and complaint free service to customers in a competitive environment.

Q 7 What should be the relevant market for measuring the market power of cable services? Do provide full justification for your response?

Q 8 Can a state or city or sub-city be identified as relevant geographic market for cable television services? What should be the factors in consideration while defining relevant geographic market for cable television services? Do provide full justification for your response.

COMMENTS

When we consider state as a relevant market for measuring market power it will definitely help national level MSOs having joint venture and big DTH companies having area of operation in entire country and it will affect small regional MSOs especially those MSOs being formed by local cable operators. Majority of state level MSOs who have reasonable market share are being promoted by local cable operators by investing their hard earned money and these MSOs are providing better service to customers at comparatively less rate because of their cost effective business operations and less profit motive when compared to corporate MSOs and DTH operators. Now big corporate MSOs with huge investment support from Reliance are expanding their FTTH network all over India and capturing local market by adopting modern marketing strategies. Their main target is the states where small MSOs are dominating the market. Their business strategy is to penetrate into rural potential market of these states by offering some free schemes and after capturing market they will exploit LCOs and customers ensuring return on their huge investment on FTTH, GPON etc. Regulator has to analyze this reality before deciding on relevant market for controlling monopoly in cable TV business. We need to support the struggling LCOs and also to help customers by ensuring effective service at reasonable price and to ensure survival of this industry rather than providing conducive atmosphere for big corporate companies to dominate market with their finance power which will lead to elimination of LCOs from this industry.

Q 9 Do you think that MSOs and its Joint Ventures (JV) should be treated as a single entity, while considering their strength in the relevant market? If yes, what should be the thresholds to define a MSO and its JV as a single entity? Do provide full justification for your response.

COMMENTS

MSO and its Joint Ventures should be treated as a single entity while considering their strength in the relevant market. Here an interesting fact is that some broadcasters, DTH players and MSOs have formulated Joint Ventures to dictate the business terms to their interest and to eliminate small MSOs and LCOs from this industry. Almost all major MSOs have Joint Venture and other business tie-up with

big business houses so as to consolidate their market share and to get maximum profit. A threshold limit of 50% of market share to be fixed for any such JVs to avoid dominance in the relevant market area.

Q 10 Which method is the best suited for measuring the level of competition or market concentration of MSOs or LCOs in a relevant market?

COMMENTS

HHI is the best method for measuring level of competition or market concentration of MSOs or LCOs in a relevant market.

Q b) Do you think that HHI is appropriate to measure market concentration of MSOs in the relevant market?

COMMENTS

Yes

Q c) If yes, then in your opinion should MSO and its JVs may be considered as a single entity for calculating their HHI? Do provide supporting data with proper justifications for your response.

COMMENTS

MSOs and its JVs can be considered as a single entity.

Q 11 In case you are of the opinion that HHI may be used to measure market concentration of MSOs in the relevant market, then there is a need to revise threshold HHI value of 2500 as previously recommended? If yes, what should be the threshold value of market share beyond which a MSO and its group companies should not be allowed to build market share on their own? Do provide full justification for your response.

COMMENTS

HHI can be used to measure market dominance. MSOs and its JVs can be considered as a single entity for HHI calculations. HI value of 2500 can be considered as the threshold value of measuring monopoly in cable service industry.

Q 14 Do you think that DTH services are not perfect substitute of cable television services? If yes, how the relevant market of DTH service providers differs with that of Multi System Operators or other television distribution platform owners? Support your response with justification including data/details.

COMMENTS

DTH operators have presence in almost all states and their connection base is growing day by day and creating stiff competition in cable TV market. In Kerala also DTH operators occupy around 30% of market share which has been captured from cable operators. The huge investment backing by leading business houses and broadcasters in DTH business helped them to capture markets especially in rural markets with aggressive pricing strategies. Major broadcasters have started DTH services mainly to ensure direct access with customers and to eliminate cable operators for their business interest. DTH could highly penetrate into urban markets where cable TV had a strong hold. Around 5 DTH operators are operating in the market offering price discounts to lure cable customers, but it might have resulted in operational loss to certain DTH operators. All DTH operators face high churn as customers may not continue with them after the subscription period of initial two or three months. There is no exclusive content or local content on DTH which a subscriber can enjoy in any cable network. Local channel is an unavoidable content for local customers as they get all local information and news timely to their drawing room from cable operators. Even in technical service and customer care also cable operators are much ahead of DTH operators. Cable TV operators have high acceptance in rural markets due to their timely service and rapport created with customers. They are available round the clock to provide any support to customers and their collection mechanism is also helpful to different segment of customers whereas DTH operators have no such hold in ground level and their customer service is not much accepted by masses. Another major differentiator is the capacity of local cable operators to provide effective broadband service to customers using same fiber network and DTH operators are not able to provide broadband. However, while considering the relevant market for cable TV business

DTH operators also to be considered as they are adopting innovative methods to become highly competitive in the market and to eliminate MSOs and LCOs from this sector.

Q 15 Is there a need to change the criterion of market share in terms of number of active subscribers for determination of market dominance? Should the active subscriber base of JVs may be considered while determining the market dominance of MSOs.Do elaborate on the method of measurement. Provide full justification for your response.

COMMENTS

Taking the number of active connection is the best criterion for determining market dominance and subscriber base of JVs of MSOs can also be considered for this purpose.

Q 16 How the new technology developments and alternate service like video streaming services should be accounted for, while determining market dominance? Justify your response with data/detailed comments.

COMMENTS

The rise of Over –the-top platforms adversely affected the market for TV viewership and content has changed dramatically. The recent surge in OTT platforms is disruptive for both cable and DTH operators. The estimated size of the OTT market in India was 109 million in 2017 and it is expected to double to 300 million by 2022.Given the rising number of internet users in India, the OTT video market is gradually becoming a source of mainstream entertainment. This growth can be attributed to the adoption of local content and languages on these platforms making it much more reliable for Indian audience. These platforms which work on self –censorship provide an alternate from the shows and events in Television. As per the BCG report titled “Entertainment goes online “about 81% of consumers in India have up to three video/OTT apps on their smartphone. The average time spent by Indians watching online has grown to 70 minutes per day in 2020 from a mere two minutes per day in 2012.The commoditization of data and ongoing price wars between internet service providers has made online video streaming more affordable than ever before. The average daily time spent by youth on online

content consumption was 44 minutes higher than the average daily time spent on television. This trend is likely to continue and by 2021 the share of subscription income is likely to increase up to 80% of total revenue. The issue of competition and its regulation will also evolve in keeping with the growing complexities of a digitally converging TV broadcasting distribution in India. Even without taking any regulatory steps to create competition in cable TV, the digital base of cable TV operators are diminishing day by day and their market share is eroding to new technologies of video streaming platforms like OTT. Only old generation are depending TV for their information and entertainment and new generation is fully depending online platforms for entertainment and information. The future of Television is very bleak due to the competition from streaming platforms and if Government put more control on LCO/MSOs in their volume growth in the name of controlling monopoly, the ultimate result will be the ruin of this business segment. The survival of LCOs/MSOs are indispensable for the nation for its endeavor to provide FTTH broadband to the rural and tribal areas where the country focuses to explore potential for its further economic growth.

Q 17 If HHI is used for measuring the level of competition, do you agree with the restrictions prescribed in TRAI's previous recommendations? If no, do provide alternative restrictions for addressing monopoly/market dominance in a relevant market. Do provide full justification for your response.

COMMENTS

We agree with the restrictions prescribed in TRAI's previous recommendations.

Q 18. M&A in the cable TV sector may lead to adoption of monopolistic practices by MSOs. Suggest the measures for curbing the monopolistic activities in the market. Explicitly indicate measures that should be taken for controlling any monopolistic tendency caused by a merger or acquisition. Do provide proper reasoning/justification backed with data.

COMMENTS

M&A in the cable industry has two dimensions. One is the M&A adopted by large business houses like Reliance JIO to consolidate their monopoly in the market by the way of acquisition of other big MSOs and regional MSOs. This M&A is mainly to

establish in the market with high market share initially by adopting unethical pricing strategies to eliminate small MSOs and LCOs. Once established with monopoly position they will gradually exploit all the stake holders including customers to ensure return on their huge investment for infrastructure development. Another M&A is adopted by medium and small MSOs at regional level to support struggling headend operators and LCOs to enable them to survive in the industry. Local level small M&A will be a method of infrastructure sharing to reduce cost of operation and to provide better services and also to support them to embrace new technologies like broadband and Cloud solutions. Local level M&A as explained, need to be promoted to support and encourage LCOs who have been ignored by Government in providing adequate loan facility for infrastructure building to retain their business in a highly competitive market. Medium and small scale MSOs are providing maximum support to them by sharing their infrastructure facilities like Headend, NOC and Fiber backbone to distribute services effectively to the people especially those located in remote and rural areas. In our opinion authority may introduce strict control on M&A by large business houses having profit motive and monopoly tendencies. We need to support local level small M&A aiming to support LCOs to develop their infrastructure and sharing of infrastructure to provide effective service to last mile customers.

Q 19. Ease of doing business should not be adversely affected by measures/regulations to check merger and acquisitions. What compliance mechanism or regulations should be brought on Mergers and Acquisitions to ensure that competition is not affected adversely, while ensuring no adverse impact on Ease of doing business? Do justify your answer with complete details.

COMMENTS

In recent years India has made commendable progress in World Bank's ease of doing business ranking by increasing 79 points during the last five years. A favorable business environment is indispensable for economic development of our nation and especially during post Covid period we need an impetus to business growth. The strong push towards "Make in India" and "Vocal for Local" has created new spotlight on indigenous business growth and conducive business atmosphere for future development of our country. While we adopting regulatory measures to

control monopoly and to ensure competition it should be on a level playing field. In India there are large Companies and small companies. Small companies which operates with small manpower and other capacities do not have the personnel and finance to navigate the web of business regulations effectively. But big business houses have the capacity to deal these regulations effectively and finally the small companies will be the highly affected segment. In cable industry all the negative impact of any regulations have been borne by MSOs and LCOs who have to ensure prompt service to customers at lesser and lesser rate, but by investing huge amount for infrastructure and product diversification. Any further control on their effort to increase business volume to reduce cost and sustain in the industry should not be curtailed by new regulatory measures in the name of creating competition in an industry where there is stiff competition at present. Reforms and regulations should be on an appropriate level and it should ensure level playing field in the business initiatives in this sector need to be analyzed well and those deals which are found to be for betterment of industry and customers to be promoted with suitable and favorable regulations by ensuring ease of doing business.

Q 20. Do you agree with the definition of control as provided in the 2013 recommendations? If not, then suggest an alternative definition of control with suitable reasoning/justification.

COMMENTS

We agree with the definition of control as provided in the 2013 recommendations.

Q 21 Do you think that there should be different definition of ‘control’ for different kinds of MSOs? Do explain with proper justification.

COMMENTS

Not needed

Q 22 Should TRAI restrict the ambit of its recommendations only on certain kind of MSOs? Do provide full justifications for your answer.

Q 23 Do you agree with the disclosure and monitoring requirements mentioned in the 2013 recommendations to monitor the TV distribution market effectively from the perspective of monopoly/market dominance? If no, provide

alternative disclosure and monitoring requirements. Do provide full justification for your response.

COMMENTS

We agree with the disclosure and monitoring requirements mentioned in the 2013 recommendation to monitor the TV distribution network from the perspective of monopoly.
