

10th September 2012

To,

Mr. Wasi Ahmad,
Advisor (B&CS),
Telecom Regulatory Authority of India, New Delhi, India.

**RE: Consultation on STANDARDS OF QOS (Duration of Advertisement in TV Channels)
(Amendment) Regulations, 2012.**

Dear Mr. Ahmad,

In reference to the Consultation on Standards of Quality of Service (duration of advertisement in TV Channels) (Amendment) Regulations, 2012, we would like to highlight the following:

Regarding 12 minutes an hour and parity to FTA and Pay Channels:

With regards to the 12 minutes an hour specification, what amount of duration of advertisements to be allowed is a subject of separate debate. Our primary concern is limiting the same duration for FREE TO AIR and PAY Channels is unjustified and request that the same be looked into with greater introspection.

TRAI's argument that the customer is paying for FTA / PAY channels and therefore the ad duration limits to be applied to both the FTA and PAY channels is in our opinion not correct. In our opinion the customer is aware of the status of any channel, be it FTA or PAY. If not, we recommend that the authority take steps to inform the customers about the status of any channel. The following are some of the methods in which the customer can be made aware of the status:

1. TRAI can have a dedicated website for consumers to be made aware of the channels status.
2. Cable TV / DTH operators should be told to display the same on their websites.
3. EPG should mention the status as PAY / FTA.
4. Broadcasters should announce the status on their channels by way of supers or adverts regarding the status, at least 6 times a day.
5. Already there is a mechanism for broadcasters to announce the status by way of newspaper adverts.

If the business models of the FTA and PAY channels are to be scrutinized, the PAY channels are at an advantage against the FTA channels not only in the current scenario, but also in the DAS regime as well. Let me highlight the following:

Item	FTA Channels	PAY Channels	Effect
Advertising Revenue	12 minutes an hour	12 minutes an hour	Both get the same advertising revenue. Infact, there is possibility that the pay channels will be bundled with the premium channels and FTA channels will again be at disadvantage due to not being available in any package but mainly Ala Carte.
Subscription Revenue	Nil	Depends on the RIO	Pay Channels get additional revenue from subscription
Channel Packages (offering to MSO by distribution companies)	No Packaging possible.	Channels are packaged with premium channels.	MSO's are forced to buy offer packages to the consumers and consumers are therefore made to buy these packages irrespective of the checks and balances in the tariff order. The tariff order does not apply to DTH, and this point has to be noted.
Channel Packages (offered by MSO to consumers)	Will mainly lead to be in Ala Carte.	Will mainly be offered in must have packages.	The biggest disadvantage will be that the FTA channels will in all probability be offered by the MSO in Ala Carte as the channel distribution companies will package their offerings in such a way that the MSO and consumer is offered with no choice but to opt for the package of the pay channel operator.

If the above is taken into consideration for say the HINDI MUSIC CHANNEL category, all major distribution platforms (owned by major broadcasters) have at least 1 (one) music channel in the PAY category. Looking at the above, would this not lead to a serious disadvantage to a small broadcaster operating an individual Hindi Music Channel in the FTA category? The same situation prevails in all categories of News, GEC, etc.

Therefore we feel that the QOS should be separate for FTA and PAY operators with distinct and substantial advantage to FTA channels over PAY channels where advertising is considered as this is the sole revenue earner for the FTA channels.

Merely pointing out that the customer is paying for FTA and PAY channels both should be the basis for regulating advertisement time is unwarranted.

In our opinion, this should be addressed and if required changes in the tariff order be made where the customer need not pay for FTA channels except for basic charges for availing the service which should be sufficient to cover the maintenance, amortization of the network and profits of the MSO and LCO both.

If you look at the carriage norms being stipulated in the tariff order, and if we look at the rates published by major MSO's for carriage, they are ranging from Rs. 1.75 to Rs. 2.50 per month per STB. At a 500 channel capacity mandated from 1st January 2012, this would translate to Rs. 875 to Rs. 1,250 per month per STB! This is apart from generating revenue per STB on a monthly basis where the customer is paying to the MSO (directly or through the LCO).

The reasoning for carriage is that the network costs have to be maintained and therefore the carriage is to be paid is totally baseless considering that the authority itself states that the customer is paying for FTA and PAY channels. This is complete contradiction. And even if these costs are to be covered, the regulator must look upon the ROI on network infrastructure and cost per STB for digitization to the MSO combined with what is the consumer paying to the MSO for the STB (which incidentally is Rs. 799 per STB on an early bird offer as advertised by the MSO alliance across leading newspapers) along with the monthly recurring costs for basic tier and share in other channels pricing.

We therefore recommend that should be there be parity in the advertisement duration for pay and FTA channels, then in that case, the following suggestions should be looked into which benefit the consumers, broadcasters and all concerned.

1. If carriage is mandated (justified to what amount is charged from the broadcaster with a sunset date for termination of carriage should also be in place), then it should actually be transformed to the subscriber paying nothing for FTA channels except the Rs. 100 as mandated for basic service tier. All FTA channels then have to be provided without any cost to the consumer on a must carry basis (must carry is anyways provided in the tariff order). MSO's (for that matter any platform including DTH) should not be allowed to charge anything for the FTA channels as the cost of carriage is already paid by the FTA channels. This would address the issue of the authority that the customer is paying for FTA and PAY channels. If the consumer is paying for the FTA channel as well, as pointed out by TRAI for formulating the QOS, then in that case, carriage fees for FTA channels should be abolished. Just like there cannot be Double Taxation, there cannot be a situation where the consumer and the channel both pay to the MSO for a FTA channel.
2. FTA channels should be allowed to air any amount of advertising as the channel is provided FREE OF COST to the consumer. This is going to create 2 diverse models in broadcasting space where the FTA channels will survive on advertising, whereas PAY channels will survive on subscription largely. Distribution of revenue streams will lead to survival of all players; big or small else we see India's media space being owned by a few big players and that too largely foreign player.

3. PAY channels should be allowed to air 10 minutes air time averaged across 06:00 hrs to 25:00 hrs, with not more than 14 minutes an hour in any given hour starting at 00:00 min to 00:60 min.
4. The issue of reporting on quarterly basis is absolutely fine and we are of the opinion that all the broadcasters should provide to the authority in the prescribed format.
5. Teleshopping slots should be excluded from the advertisement time and if need be a separate teleshopping guideline be framed.
6. Film and Music Trailors should be excluded from the advertisement time as they are nothing but songs and dialogues of a music album / film which are content providing information about the film and music as well.

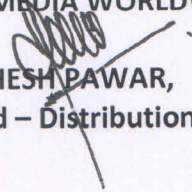
With regards to the QOS, we would like to point out the following in terms of consumer experience as we believe that the authority's focus is to ensure the consumer is kept on top of the mind while formulating QOS:

1. Apart from advertisements, there is requirement of the authority to stipulate technical guidelines with regards to encoding, bandwidth, etc. allocated for each channel to be distributed in SD and HD as well so that the quality of the broadcaster is made available to the consumer. This is of prime importance and has to be looked into immediately if not addressed so far.
2. With regards to the HD Channels, it is observed that the HD channels are shown in SD STBs. Here the consumer is made to believe that he is watching an HD channel which is actually not the case. We request the authority to immediately notify that HD channels should be only distributed through HD STBs. Distribution of HD channels in SD boxes should be stopped immediately and be considered as a violation of the DAS license. Otherwise the consumer is getting cheated and HD channels are not getting the value they deserve therefore impacting investments in creating HD content driven channels.

Thanking You,

Kind Regards,

For **MEDIA WORLDWIDE PRIVATE LIMITED,**


MAHESH PAWAR,
Head – Distribution.