

TRAI CONSULTATION PAPER

**No. 7/2010
DATED 22nd April 2010**

**ON
ISSUES RELATED TO TARIFF FOR CABLE TV
SERVICES in CAS Notified Areas**

**RESPONSE FROM
NEO SPORTS BROADCAST PRIVATE LIMITED**

TRAI Consultation paper No 7/2010 on Issues relating to Tariff for Cable TV Services in notified CAS Areas

Introduction: In response to the captioned Consultation Paper; Neo Sports hereby place its views as follows :

Issues for Consultation and our Reply :

Issue : 1

Should there be only two broad tariff regulatory frameworks, one for analogue non-addressable (Non CAS) and another for digital addressable system.

Issue : 2

If yes, should such a framework be same for wholesale and retail.

Issue : 3

If no, why it should be different ?

Our Reply:

We suggest that there should be two broad tariff regulatory framework, one for analogue and another for digital addressable system. However in the Addressable system there should be sub system of various distribution mode, such as there should be separate regulatory frameworks (in the addressable system) for DTH, IPTV, Cable etc.

As the MSO distributes the channels either directly or through LCO while DTH/IPTV Operator distributes without any such link, hence within such Addressable system there should be different framework for these modes.

Issue : 4

Should Usage of STB mandated in CAS notified areas for viewing both FTA and pay channels?

Our Reply:

It has been observed that the house holds in CAS areas are being provided the Non CAS signals and the subscribers are watching the pay channels without set top box.

Considering the present scenario there are approximately 15 lacs house holds in notified CAS Areas, and there are only approximately 748000 (in December 2009) boxes are seeded, which means either there are only 50% of house holds have opted for Pay channels or they have been receiving the signals in non CAS mode, which is either pirated signals or analogue signals in non compliance of CAS mandate.

It is therefore suggested that usage of STB mandated in CAS notified areas for viewing FTA and pay channels should be mandated. It would of-course bring the transparency in the system and would prevent piracy and bring 100% digitalization.

Issue 5:

Which of following method should be used to regulate the tariff ceilings for basic services tier in CAS notified areas.?

- **By providing periodic inflation linked adjustment in the present ceiling of Rs. 82/- (excluding taxes) per subscribe per month.**
- **Forbearance**
- **Any other method you may like to suggest**

Our Reply :

Since the services are being provided for FTA channels and the MSO/LCOs are not required to pay any amount to the broadcasters, the existing system may be continued.

Issue : 6 :

Which of following method should be used to regulate the retail tariff for pay channels in the CAS notified Areas?

- **By providing periodic inflation linked adjustment in the present ceiling of Rs. 5.35/-** (excluding taxes) per subscriber per month.
- **Single ceiling across all genres. If so what should be that ceiling ?**
- **Different ceilings for different genres. In such case what should be the genres. In such case what should be the genres and what should be their respective ceiling?**
- Forbearance
- Any other method you may like to suggest

Our Reply :

Price freeze is a major concern to the broadcasters. It is submitted that **the price freeze was introduced only as a temporary measures so as to introduce the CAS and make the addressable system a success** and it was considered to abolish the price freeze once the CAS is established, but even after 5 years of introduction of CAS, the freeze is not lifted. The impact of price freeze is affecting the broadcasters and particularly the sports broadcasters prejudicially as they are not able to recover their cost (content & other costs).

It is rightly observed by the Authority and further submitted that the cost of buying the sports content (particularly the cost of buying the sports content) has been increased many times since last 5 years, hence it would be really difficult to recover the said cost at the rate of Rs. 2.40/- per subscriber per month (the share of broadcaster), as there is also price freeze in the non CAS Area.

The above price of Rs. 5.35/- per subscribers is giving rise to the piracy; since the amount payable by MSO/LCO for the channel is Rs. 2.40 per subscriber only, some of the MSOs/LCOS has started pirating the CAS signals to the non CAS areas. By this practice there is a major hit on the revenue of the broadcasters and particularly the sports broadcasters as the CAS signals are given in non CAS areas to the LCOs who have been de-activated due to any default or have not signed the agreement. The impact of this is not only to the revenue of the Broadcasters but also on the ex-cheque also.

The need for regulation of any price is normally arised whenever there is a scarcity of services and/or the manufacturer/Service provider intends to take undue advantage of its monopolistic situation **or there is not enough competition**. Considering the pay channel industry; we would like to draw the attention of the Authority that there are

approximately more than 450 channels available in different genres and the market can play an effective role balancing the demand and supply not only in terms of quantity but also of quality, the market players are really compelled to fix up the price of the channel in a highly competitive manner as per the market forces.

Considering above it is very clear that the market is matured enough to balance its equilibrium. Price regulation & controls will not only distort the market but also will lead to down gradation of quality of services and also reduction of investment in the industry.

It is to be noted that selling the channels at such low price will not only discourage any further investment in new channels and new/quality programming but also will surely affect the consumer choice.

Since market is mature and the principal of Equilibrium has made its inroad into the industry therefore where any channel is overpriced, the market forces will naturally drive its price down to a level that is acceptable to consumers in the market and where the price is under priced it will require the correction by increase in price. Hence there is no economic rationale exists for placing price controls, as every company has its own business model.

The industry can function in most effective manner only when governed by market forces and not by regulation. The same may be observed that even before the price freeze there is no such unreasonable increase in price by the broadcasters. **In addition the Tele-communication is the live example of the forbearance as there was no price freeze and due to competition the market price has been slashed down to its equilibrium and all the stake holders including consumers are in gaining position.**

It is time proven fact that any industry which is controlled against the market forces, have faced a lot of problem which lead to not only running under losses but also were forced to be wound up e.g. looms, collieries etc. By imposing pricing restrictions such a dynamic and competitive market would adversely impact the revenues of all the stake holders, thus resulting in a negative impact on the quality and diversity of programming available to consumers, less choice to consumers, and increase in last mile operators monopoly.

Since there exist competition and in addition since the CAS has been established, which was the intent of the Govt. to freeze/ fix the price, hence there is not need to fix up the price in CAS Area and we are, therefore, of the opinion that let the market forces play its own role and price be determined by the law of demand

We therefore suggest the total forbearance in CAS as well as Non CAS areas and lift the price freeze.

It is further requested that the broadcasters only should be allowed to fix the MRP of their channels. Fixation of MRP by the broadcasters will bring uniformity in the pricing across all the notified CAS Areas and will not creating confusion and differentiation among subscribers. In addition it would improve the programming content also. As in all other industries the MRP and distributor margin is fixed by the manufacturer; similarly the MRP of the channels and the margin of distributors should be decided by the Broadcasters.

Issue : 7 :

Should a relation between a-la-carte and bouquet price be prescribed to prevent perverse pricing? If so, what should be the relation? Should it be different for broadcaster and MSO ?

Our Reply:

Though we have suggested the total forbearance, however the existing relation of a-la-carte and bouquet price may be continued.

Issue 8 :

How should the retail tariff for advertisement free channels be regulated in CAS notified areas? Should it be different from other pay channels?

Issues 9:

How should the retail tariff for niche channels which requires specialized STB be regulated in CAS notified area? Should it be different from other pay channels?

Our Reply:

We suggest the total forbearance for all the channels.

Issue 10

Should there be any provision of minimum period of subscription for pay channels? If yes, what should be that period?

Our Reply:

As rightly observed by the Authority that in the absence of the provision of minimum period, the subscribers would start terminating the Agreement after the Live Event is over; which is nothing but adopting the concept of Pay-per-View, which would prejudicially affect the business model and revenue of the sports broadcasters as the cost of buying the sports content has been increased many time.

We suggest that there should be the provision of minimum period of six months and the payment of subscription fee may be received on monthly basis. By this way there will be assurance to the Subscribers to receive the channels and the price will also be maintained and there will be no burden on the consumer to pay the higher cost.

It is however suggested that in case any subscriber intends to subscribe for shorter period than six months; Differential pricing be allowed to be charged from him which shall be depending upon the subscription period.

Issue 11

How should the tariff for supply of STB be regulated ?

- Continue with the present system. If so should there be any modification?
- Left to market forces
- Any other method which you would like to suggest.

Our Reply:

We suggest that the tariff be left to the market forces and the option should be given to the consumers either to buy the STB or should take it on lease basis. Also the boxes if bought should be inter-operable.

Issue 12

Howe should the sharing of revenue from pay channels subscription between broadcaster, MSO and LCO be regulated ?

Issue 13

Howe should the sharing of basic revenue from pay channels subscription between MSO and LCO be regulated ?

- Left to market forces
- Any other method which you would like to suggest.

Our Reply:

We strongly recommend that the revenue share from pay channels subscription between broadcaster, MSO and LCO should be left to the market forces.

It is submitted that in all other industries the margin of distributor is always fixed up by the manufacturer; similarly the margin of distributor (MSOs/LCOs) should be decided by the broadcasters in cable industry. As the distributors establish their network and create infrastructure for providing the products/services to the retailers or the customers; similarly MSOs/LCOs have established their cable network for providing the services to the customers. Therefore the standard practice as prevailing in the other industries should be followed and the broadcasters should be allowed to fix up the margin of the distributors.

Issue 14

Any other related issue, you would like to comment upon or suggest.

Our Reply:

- (A) CAS signals going out to Non CAS Areas, as mentioned above.
 - (B) Authentic system to review the subscriber report.
 - (C) Subscriber report to be generated directly from SMS and the same report to be sent to Broadcasters and not the excel sheet, as being sent presently.
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For Neo Sports Broadcast Private Limited

Authorized Signatory

