

9th April, 2008

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Sub: TRAI's consultation paper on Restructuring of Cable TV services – Comments from Tata Teleservices Limited and Tata Teleservices (Maharashtra) Limited

Dear Sir,

This is in reference to the TRAI's Consultation paper on "Restructuring of Cable TV services" dated 4th March, 2008 put up on TRAI's website for stakeholders' comments. TTSL and TTML would like to submit their point-wise reply to the issues raised for consultation.

4.1 The technological advancements, convergence, and increasing popularity of value added services and applications require more vibrant and effective regulation for cable TV industry. Present eligibility criteria do not clearly define a person and also do not take into account financial strength, technical strength and experience of the applicant to provide cable TV services. Do you feel that present regulatory framework requires change? Please give suggestions with justifications

Our Response:

1. A Local Cable Operator (LCO) needs to be a skilled technical entity with reasonable availability of capital as enumerated below.
2. The Technical requirements may include experience (minimum 1 year) in operating and maintaining a digital network on 24*7 basis; sufficient manpower to deliver requisite QoS experience in running a 24*7 customer care centre (this can be outsourced to agency either already running or having at least 1 years experience in running such care centre.
3. Financial requirements may include a minimum capital base of about INR 1 Cr. The average ARPU at the end of April 2006 was INR 150 per month. Assuming a increase of 10% per year the ARPU at the end of April 2008 would be about INR 200. With launch of VAS service the ARPU would increase to about Rs.400. On an average a LMSP (Last Mile Service Provider) would serve 2000 direct points giving monthly revenue of INR 8 lakhs and INR 96 lakhs on a yearly basis. With a 30% revenue share it comes to INR 29 lakhs per annum. This would be the income that the LMSP would generate yearly. However, to start the business and assuming a payback time of 3 years, LMSP would be required to invest upfront about INR 1 crore, ensure availability of funds for network deployment and up gradation. Also the LCO should be required to give sufficient Bank Guarantee

(say, 10% of the minimum capital requirement i.e. INR 10 lakhs) to deter non-serious contenders and for regulatory compliance.

4. The entire exercise of bringing better regulations in cable TV industry should not be seen only from the entertainment perspective. With availability of affordable technology, it is now possible to offer voice, broadband, internet, TV/video and Fixed Mobile Convergence (FMC) on a single cable. Voice and internet are already accepted as GDP growth drivers. FMC service brings mobility to homes without unduly straining the much-needed scarce spectrum. Thus, India should quickly put in place simple framework of regulations in this regard which will increase the GDP growth by 1.5 % to 2.0% as telecom has already helped the nation to achieve a GDP of 8%.

4.2 The registering authority may refuse the grant of registration in case of non submission of any document required by him as the application form does not clearly list out the documents to be submitted. In view of this should a comprehensive list of documents required to be submitted along-with the application of registration be mentioned in the application form itself? Similarly is there a need to make provisions for the appellate authority in case of refusal of registration by the registering authority?

Our Response:

1. The following documents may be considered for the grant of Registration::
 - i. Proof of capital/Networth
 - ii. Equity structure, if applicable
 - iii. Bank Guarantee
 - iv. Experience Certificate
2. Registration/licensing process should be absolutely transparent laying down the eligibility criteria with points given to each criterion. This would enable prospective player to determine its eligibility.
3. Provisions should be made for the grant of licenses in a time bound manner.
4. A Broadcasting Authority, as detailed in response to Para 4.3 may be constituted to hear appeals in cases of refusal of grant/renewal of registration.

4.3 The present cable TV industry is subjected to minimum supervisory guidance and control. Do you feel that there is a need to streamline registration process, data collection and monitoring to ensure better cable TV services to customers? Is there a need to have a centralized/ decentralized authority where all the information relating to cable TV sector and also monitoring is managed? If yes, then what should be the structure and scope of work of such an agency? Please, give suggestions with justification.

Our Response:

1. A Broadcasting Authority may be established at the state level to not only deal with issues relating to grant of licenses, dispute resulting from refusal but also monitoring of regulatory compliance, collection of various reports like customer data, tariffs, number of LCO/MSO's and handling customer grievances etc.
2. State government appoints Authorised Officers as laid down in the current Cable Act who shall work under the over all guidance of Central Government.
3. Adequate provisions with clearly delineated responsibility and redressal mechanism should be set up to deal with issues relating to suspension, cancellation of Licenses, monitoring of code violations etc. as enumerated in various points above.
4. The digitization of TV will enable the MSO/SP to submit the requisite details of the subscribers on a online basis.
5. The QoS guidelines have to be laid down by the Broadcasting Authority and the LCOs need to ensure adherence to the same by giving a monthly compliance to the Authority.

4.4 Present cable TV registration, the Cable Act and the Cable Rules do not cast any specific responsibility for effective customer grievance redressal. What changes do you suggest to bring in effective consumer grievance redressal mechanism?

Our Response:

1. Effective customer grievance redressal mechanism should be set in place to deal with issues relating to guiding consumers in getting new connection, desired content, disconnection of existing connection and complaint handling procedure
2. Each Cable TV operator would be required to set up a customer care number which would take complaints. Any complaint so lodged would be required to be cleared within specified time. A toll free number to lodge complaints should be established. The consumers will be able to lodge their complaints with the Broadcasting Authority if their complaints have not been suitably dealt with by the cable TV operator.
3. Each cable TV operator would also be required to nominate a nodal officer to whom the complaints would be escalated if either the complaint has not be suitably resolved by the Customer Care agent in the first instance or no action has been taken on the complaint. The Nodal officer would ensure that the complaint is rectified within 24 hours.
4. Mandatory notice (at least 2 months) should be given to customers in case cable TV operator wants to discontinue its services in a particular area.

4.5 At present by and large only one cable TV operator is providing service in a locality. Is there a need to introduce competition with more than one operator? Please give your suggestions with justifications.

Our Response:

1. To avoid monopolization and for effective growth of industry it should be ensured that no limits be placed on number of Cable TV operators in a locality.
2. It should also be ensured through regulatory framework that no barriers are faced by customers who want to change their Cable Operator. This can be ensured by requiring that all the functionality be in a defined “black box” or Customer Premises Equipment and change in Cable Operator merely result in change of CPE with no effect /additional cost to customers. Original service provider would take back his CPE and the new service provider would bring in his CPE.
3. Consumers can be educated about the presence of number of Service providers in their areas by publishing this information at public places.

4.6 Any other regulatory reform.

Our Response:

The model is basically a Business to Business (B2B) and Business to Consumer (B2C) model. In such a scenario, SPs and SDs, SDs and LMSPs and SPs and LMSPs transact business on B2B basis and LMSPs and customer do the same on B2C basis. In other words, SP is actually a franchiser and MSOs as SDs and LCOs as LMSPs are in reality franchisees. Franchiser appoints the franchisees. As TRAI defines the guidelines for Traiffs/QoS/ Interconnection/ Customer complaints, similarly, the same needs to be defined for the Cable Industry also.

4.7 In view of deliberation in para 3.2, is there a need to modify provisions of the Cable Act/ Cable Rules? Please give your suggestions with justifications.

Our Response:

1. Non exclusive permission needs to be granted to the cable TV operators for RoW. RoW must be given with the license itself either by charging a certain fixed fee based on either customer base or on a flat fee basis. This is also essential from the point of view of providing level playing field.
2. Cable Act can be amended to require that within a reasonable period of 5 years of grant of license/registration, LMSP will convert their cable plant underground.
3. Responsibility for adhering to the programming code, advertisement code etc should primarily vest with the content provider. However, Cable Operators are also liable to ensure that they maintain all the records of programming transmitted through their respective networks for some duration.

4. In case of prohibition of transmission ordered by the Authorised Officer, provision of appeal against the orders of the Authorised Officer should be made.
5. Provision of Annual third party Audit of Cable Operators should be made.

4.8 In particular, suggestions may be given for a proper regulatory framework on the following issues, among others:

- (iv) Correct determination of subscriber base**
- (v) Laying a good quality network**
- (vi) Permission and monitoring of ground-based channels offered by MSOs and LCOs**

Our Response:

1. The data pertaining to determination of correct subscriber base can be self certified by the Cable Operators with the proviso that the Broadcasting Authority has the right to check the records from time to time and any discrepancies will lead to penalties; and also encashment of BG.
2. Quality of network can be ensured by laying down technical parameters to measure loss in the network etc. Audit can be done by randomly selecting sites and measuring the losses thereon. Permission and monitoring of ground based channels can be done by Authority granting licenses for starting cable TV operations.

4.9 Presently MSOs are also registered as Cable TV operators. Do you feel the need for a different regulatory framework for MSOs in view of discussions in section 3.3? Give your suggestions with justification. The suggestions may specifically cover, among others, the issues relating to registration of multi-city MSOs, monitoring mechanism, number of MSOs in a city/state etc.

Our Response:

1. There is a need for separate MSO license at national, zonal/regional and state/circle levels.
2. The license can cover the following:
 - a) The default services, which MSOs can provide.
 - b) Any VAS services which, MSOs want to provide need prior approval of the Broadcasting Authority
 - c) Capability to generate a capital in the range of INR 5 to 10 Cr @ 12,500/- per home for 1.0 lakh homes where MSOs TV feed can reach.

4.10 What QoS parameters should be prescribed for non CAS areas to address concerns of the customers keeping in view the present status of networks? What should be the points in the network to define various signal parameters

such signal strength, S/N ratio etc? What should be the monitoring mechanism to ensure effective implementation?

Our Response:

1. QoS parameters should be based on signal strength level, signal to noise ratio at different points, distribution cable specifications, system/equipment layout etc.
2. QoS parameters for TV for non-CAS areas are based upon the picture and sound quality
3. QoS implemented in the non CAS areas should be monitored by the Registration Authority of that area.
4. QoS should also include complaints handling procedure, number of complaints made, mean time to attend to complaints etc just like TRAI guidelines to telcos.

4.11 In view of technological advancement, convergence, and increasing competition upgradation of cable TV operators network will be desirable; however it may require significant investments. Please suggest how cable TV operators can be encouraged to upgrade their network both in their business interest and in interest of customer to provide better services?

Our Response:

Cable TV operators who undertake digitalisation and start voluntary CAS services can be encouraged by progressive tax benefits.

4.12 Is standardization of encryption and subscriber management software feasible? Please, give comments with justification.

Our Response:

1. This is not needed. If a customer is given a choice of changing the service provider by giving two months notice then the original service provider takes back the CPE and the new service provider brings his new CPE, this can work without any difficulty.

This is for your information and records, please.

Thanking you,
Yours faithfully,

Harish Kapoor
Addl. Vice President– Corporate Regulatory Affairs
Tata Teleservices Limited
&
Authorized Signatory
For Tata Teleservices (Maharashtra) Limited