

**COMMENTS OF M/S. MEDIA CONTENT & COMMUNICATIONS SERVICES (INDIA) PVT. LTD. ON THE CONSULTATION PAPER NO. 08/2007 DATED JULY 24, 2007 ISSUED BY THE TELECOM REGULATORY AUTHORITY OF INDIA ON HEADEND-IN-THE-SKY (HITS)**

“Headend In The Sky”, provides a complete array of digital video and audio programming needed for a comprehensive programming strategy. The networks are grouped to efficiently address different market needs. The Telecom Regulatory Authority of India (TRAI) has released a paper on HITS to enable rapid digitization. The following are the issues for consultation:

**1. What should be the scope of the HITS operations? Whether the scope of the HITS operator should include both the models as stated under heading "scope of HITS operation" in paras 4.5 and 4.6?**

1. In the present scenario there are several headends all over the country which are engaged in distribution of signals/ channels to cable operators. HITS is a technology which requires Low Capital Investment and makes efficient use of existing bandwidth and eliminates the need for expensive plant upgrades and lengthy, disruptive rebuilds. It is a cheaper and more efficient way of distributing cable TV programmes and channels in the digital regime.
2. The first model should be used for HITS operation as in the first model the HITS operator essentially collects content from various broadcasters and acts like a Multi System Operator who further carries this content to cable operators. In this model the distribution system essentially remains the same as it is in the current scenario.
3. In HITS there is increased channel carrying capacity over cable; better reception quality and value added features like programme guide, multi view etc. However, perhaps the most important aspect of HITS operation is that it can provide effective choices of channels to consumers throughout the country through the cable operators at one go by virtue of the fact that HITS satellite would have country-wide footprints.
4. Digital transmission should be encouraged in the cable industry through a HITS provider and CAS. HITS may be facilitated either through

a neutral provider or the private sector itself. HITS provides a fast and cost-effective digitisation of cable services and the implementation of the conditional access system (CAS). This model involves delivery of digital television signals directly to cable operators via satellite. Cable operators then pass on the digital channels to the consumers using cable lines.

HITS service provides further advantages like:

1. **Increased Revenue Opportunity** - HITS offers a full slate of new and exciting products that translate into incremental revenue opportunities. Digital addressability means greater signal security and, consequently, more paying customers.
2. **Programming Flexibility** - Each digital channel is individually addressable, enabling flexible packaging or 'a la carte' sale of services to best meet operator and customer needs.
3. **Economical Set-top Box Control** - Addressable set-top services offer a simple, reliable and economical means of authorizing set-top boxes.

In the HITS system a singular type of box helps the subscriber to move around without changing the box. The viewers are benefited as they are able to watch the free to air channels as a bypass mode from the STB if they do not want to subscriber to pay channels. The cost of distribution would be essentially minimized as a result of which there will be a consequent reduction in Subscription rate. The cable operator will not have to incur huge expenditure by having to upgrade his cable network as he will have digital transmission on cable.

This technology ensures assured revenue based on the actual number of subscribers availing their services, in addition to the centralized data of subscribers for effectively realizing taxes by the government through HITS. It is important to mention here that there is till date no Regulation for carriage / channel placement for Stand alone players like MCCS which broadcasts, inter alia, the STAR News and STAR Ananda channels.

## **2. Whether HITS operations should be allowed in C-Band or in Ku band or in both?**

The Interconnection Regulation dated 10.12.2004 defines HITS operator as:

**“head ends in the sky operator”** means any person permitted by the central government to distribute multi channels TV programmes in C band by using a satellite system to the intermediaries like cable operators and not directly to subscribers;

And defines DTH as:

**“direct to home operator”** means an operator licensed by the central government to distribute multi channel TV programmes in KU band by using a satellite system directly to subscriber’s premises without passing through intermediary such as cable operator or any other distributor of TV channels;

It is submitted that HITS operator should also be allowed to distribute multi channels TV programmes in KU band as this would ensure level playing field between HITS operator and DTH operator. This would ensure multiple players and due to the small size of antenna of KU band the cable operators as well as the consumers would get multiple choice i.e more options to choose from.

## **3. Whether a HITS operator should be restricted to offer services only to the cable operator? Alternatively, should HITS operator be allowed to serve the end customer also directly? If yes, then whether the restriction on DTH to service end customer only needs any review?**

The HITS operator needs to be restricted to offer services only to cable operators because the basic purpose behind the introduction of HITS is that it provides an advantage to both the cable operators as well as the subscribers. The cable operators do not need to make any huge major investments as he does not need to pay for encryption devices for subscribers management system.

If the HITS operator is allowed to service directly to the end customer then the platform would no longer be HITS but DTH.

**4. What should be the limit of Foreign Direct Investment (FDI) for HITS licenses? Should there be any restriction on the maximum limit on the composite figure of FDI and FII?**

The FDI Policy should not be a stumbling block where there is a natural convergence of technologies. The FDI limit needs to be increased as it will ensure more effective competition and thus would benefit the customers. In a scenario where there is ever increasing competition there should be a consistent policy and there should also be a level playing field between all technologies. To encourage foreign investment in this field, initially, the Govt. can look at allowing FDI (including FII) investment upto 40%.

**5. What should be the entry fee and the annual license fee for HITS?**

**This query does not require any comments as our stand is the same as that of the government.**

**6. Whether HITS operator should be allowed to uplink from outside India also?**

The HITS operator should not be allowed to uplink from outside India due to the reason that the HITS operator would not be bound by the rules, Regulations. Notifications etc which are essentially to be followed by the Indian HITS operator. In the event, a HITS operator is allowed to uplink from outside India then this may give rise to issues involving national security.

Also there may be an instance where HITS operator who is operating from abroad uplinks channels which are not permitted to be downlinked in India or are prohibited / banned in India, it will not be possible for the MSOs / cable operators to block these channels as they would receive an integrated digital stream of channels including these prohibited channels and this would give rise to legal and regulatory issues.

Thus HITS operator from foreign country will be outside the purview of various regulations pertaining to cable and broadcasting sector. Further, it is our submission that the same rule should apply to HITS which applies to all operators in India.

**7. If yes, what are the safeguards needed for monitoring the system? What are the checks and balances required to be put in place to address the level playing field issue with the operators uplinking from India?**

**This query does not require any comments.**

**8. Should any interconnection issues be addressed in licensing conditions?**

It is indeed pertinent to mention that when for the first time in the year 2003 HITS platform was introduced it did not achieve any success owing to the fact there was no regulatory framework in place. So at this juncture it is important that the “must provide clause” should be applicable to HITS operator also.

There should be a standard Interconnect Agreement in respect of HITS mode of delivery and the agreement should also cover the revenue sharing arrangement to ensure smooth implementation of digitalization initiative.

**9. Should spectrum charges be recommended to be done away with for HITS service provider?**

HITS is being introduced due to the simple reason that there it ensures economic viability so there is no basis for levy of spectrum charges as HITS involves only one time transmission. Moreover, if at this stage any Spectrum charges are levied on HITS operator it would clearly disadvantage the development and promotion of this alternate and modern mode of distribution.

This burden of additional charge would be in the end passed on to the consumer who would be disadvantaged.

**10. Should there be any cross holding restriction? If yes, please suggest the nature and quantum of restrictions.**

Yes, it is important that there should be a cross holding restriction. It would essentially ensure that there is no vertical integration between two different levels of distribution i.e. the content providers and content distributors.

Restriction on cross holding will also ensure that there is enough competition in the market and it is important to ensure that the broadcaster does not set up its own HITS platform and thereby have a very wide vertically integrated control over distribution network.

**11. Should HITS operator be allowed to offer value added services?**

1. If value added services are made available to the subscribers throughout the country at one go this would ensure the success of HITS platform. HITS operator should be allowed to use another network for any reverse path communication requirement to offer value added services like Video on demand, music on demand and if possible other services like teleshopping, homeshopping etc.
2. But in case a HITS operator decides to offer value added service it should be mandatory for him to obtain a separate license from a competent authority. This would also help in increasing the competition in the market.

**12. Whether "must carry/must provide" conditions be imposed on HITS operation?**

It should be mandatory for the HITS operator to carry such popular news channels such as STAR News, STAR Ananda and STAR Majha as these channels disseminate news and information to the public. However, it must also be understood that if a HITS operator is forced to take all

channels of the broadcaster it would discourage the players to enter this platform.

**13. Whether a stipulated networth of specified amount be made as an eligibility criteria to avoid any non-serious applicant?**

Yes, since a HITS operation requires heavy investment, should there be a net worth condition for a company wishing to enter the HITS arena to keep non-serious players away.

This document was created with Win2PDF available at <http://www.daneprairie.com>.  
The unregistered version of Win2PDF is for evaluation or non-commercial use only.