



TV TODAY NETWORK LTD.

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To,
Mr. SK Gupta
Pr. Advisor (B&CS)
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg
New Delhi-110002

10.03.2016

Dear Mr. Gupta,

Subject: Ref. Consultation Paper No. 01/2016 dated 29th January 2016.

Please find enclosed herewith the comments from TV Today Network Limited (TVTN) with regard to the subject Consultation Paper.

Consultation Paper on Tariff Issues related to TV Services

The purpose of the Consultation Paper (CP) is provided in the paper which states:

- To carry out a review of existing Tariff arrangements and developing a Comprehensive Tariff Structure for Addressable TV Distribution of "TV Broadcasting Services" across Digital Broadcasting Delivery Platforms (DTH/ Cable TV/ HITS/ IPTV) at wholesale and retail level.
- To ensure that the tariff structure is simplified and rationalized so as to ensure transparency and equity across the value chain.
- To reduce the incidence of disputes amongst stakeholders across the value chain encouraging healthy growth in the sector.
- To ensure that subscribers have adequate choice in the broadcast TV services while they are also protected against irrational tariff structures and price hikes.
- To encourage the investment in the TV sector.

कार्यालय प्रधान सलाहकार (बि. एवं सी.एस.)
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For perusal at DTR Stage



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Pr Adv (B&CS)

vi. To encourage production of good quality content across different genres.

For this purpose we have segregated the Consultation paper into chapters on the present broadcasting and distribution sector scenario. It includes:-

- Business and revenue models used therein
- Overview of the evolution of tariff in the broadcasting sector
- Different possible tariff models with an aim to seek comments of the stakeholders with regard to future tariff framework
- Miscellaneous issues relating to tariff structure.

The questions on which consultation has been sought are as follows:

1. Which of the price models discussed in consultation paper would be suitable at wholesale level in broadcasting sector and why? You may also suggest a modified/ alternate model with detailed justifications.

TV Today Legal Response:

At the wholesale level, there are 3 major models that have been discussed -

a. **Price Forbearance Model**

This model envisages minimal regulatory intervention with regard to price fixation, giving freedom to broadcasters to price and market their channels as per their business requirements, while continuing to ensure that content is provided in a transparent and non-discriminatory manner.

A critical analysis of the model (in the CP) suggests that while FDI may increase and freedom of pricing is likely to bring in variety and quality of content, the possibility that monopolistic price control will result cannot be ruled out. Also, a vertical integration of entities involved in the industry will affect the success of such a model.

Puneet Jain


b. *Cost Based Model*

This model envisages that the price of a channel would be regulated on the basis of actual input costs incurred on creating content, the average unit outflow of a channel will be determined considering the total cost of the content production and revenue from advertisements and number of total subscribers subscribing to that channel. Thereafter the broadcaster can fix the price of the channel and bouquets by adding their profit margin and the details of the calculations shall be vetted by the authorities to ensure reasonableness and fairness.

While transparency and a reasonable rate of return on investments is the greatest pro on this model, the fact that the cost of production of content would vary depending upon the nature of content cannot be ruled out. Also, calculations would be a tedious process and that too meeting the needs of the regulatory authorities would not be easy.

c. *RIO Based Models - - Universal RIO Model*

- This model envisages complete freedom to the broadcaster to decide its a-la-carte price for its channel(s) and making a declaration to the effect in the RIO. Bouquet channels are not offered in this model. Once again, much like the price forbearance model, there is a possibility of monopolistic practices being followed by the broadcaster.

Flexible RIO Model -

Much like the Universal RIO Model, this model grants freedom to the broadcaster to decide the a-la-carte as well as bouquet price for its channel(s).

Regulated RIO Model

The regulator shall provide for conditions subject to which RIOs shall provide for the price of the channel(s).

On a general understanding of the above models, therefore, the price forbearance policy would offer broadcasters maximum flexibility with the Competition Commission ensuring that monopolies are not created. However, the consumer's interests are what the TRAI would be seeking to protect, and in that regard the Regulated RIO Model would probably get preferential treatment.



