Response to the Telecom Regulatory Authority of India Consultation Paper on "Tariff Issues related to TV Services"

March 17, 2016

CASBAA (formerly the Cable and Satellite Broadcasting Association of Asia) thanks the TRAI for its Consultation Paper on the above topic. CASBAA, as the TRAI knows well, is a non-profit trade association of 110 companies dedicated to the promotion of multi-channel television via cable, satellite, broadband and wireless video networks across the Asia-Pacific region. Our member companies operate and invest in 17 different Asian markets, and many of them are substantial cross-border investors; those that are not international investors themselves are the business partners of foreign investors. They have extensive experience in building and creating television infrastructure and quality programming to meet the needs of this region's more than 500 million multichannel TV households.

Rather than venture into the very detailed questions posed in the Consultation Paper, we would like to offer our views to the TRAI on two general questions:

<u>Tariff Models</u>

The predominant policy in the Asia-Pacific region is to avoid government control of pay-TV rates. Indeed, even in markets where rate regulation has prevailed in the past, governments are seeking to dismantle it. Most governments recognize that the days of pay-TV as a government-regulated utility have passed. In terms of tariff models both at the wholesale and retail level, we encourage TRAI to support the "Price Forbearance model". The pricing of channels, both at the wholesale and retail levels, should be determined entirely by market forces with safeguards provided by TRAI to ensure transparency in pricing.

<u>Niche Channels and HD Channels</u>

In relation to Questions 21 and 25, we would like to emphasize the unique situation of both niche and HD channels and the lack of necessity or desirability that they be included in any regulated tariff.

While niche channels are targeted at a specialized (and typically much smaller) set of viewers, they nonetheless require significant investment. With a reduced subscriber base and consequently, fewer number of advertising opportunities, higher subscription charges are necessary to recover investments made in niche channels. If excessive regulation discourages such investments, consumers who might be eager to consume niche content – and may be willing to pay market rates – will be underserved. Given these factors, niche channels should be excluded from the regulated tariff framework and given complete forbearance in fixation of their prices.

With higher production costs, together with higher distribution costs due to the increased bandwidth needed for uplinking and broadcast, HD channels also require substantial investment. However, HD channels have fewer advertisements (as compared to SD channels) and primarily depend on subscription revenue for investment recovery. Similar to niche channels, HD channels are targeted at a specialized set of viewers, more specifically, those who demand a premium quality television viewing experience and are willing (and able) to pay a premium price for such an experience. (It should be noted that such viewers have already demonstrated that they are relatively affluent, having purchased the necessary high-quality terminal equipment.) Accordingly, any sort of price regulation is unwarranted in respect of HD channels.