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Subject : Re: Asianet's Response to Consultation Paper No. 05/2022- Consultation Paper Related on Issues Related to New Regulatory Framework for Broadcasting and Cable Services

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Date: 06.06.2022

To

Shri Anil Kumar Bharadwaj,
Advisor (B&CS)-II,
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Subject: Response to Consultation Paper No. 05/2022- Consultation Paper Related on Issues Related to New Regulatory Framework for Broadcasting and Cable Services

Dear Sir

We, Asianet Digital Network Pvt Ltd thank you for the opportunity to provide our response to the consultation paper number 05/2022 on Issues related to New Regulatory Framework for Broadcasting and Cable Services.

As the Cable TV and DTH industries have been losing subscribers after the implementation of 2017 regulations w.e.f 1st February, 2019, it is the need of the hour for us to identify the issues and fix them for the benefit of the industry. We request your urgent attention to address the issues to rejuvenate the industry. We are hereby sharing our response to the issues raised in the consultation paper as below:

Asianet Digital Network Pvt Ltd. Response:

Q1. Should TRAI continue to prescribe a ceiling price of a channel for inclusion in a bouquet?

a. If yes, please provide the MRP of a television channel as a ceiling for inclusion in a bouquet. Please provide details of calculations and methodology followed to derive such ceiling price.

b. If no, what strategy should be adopted to ensure the transparency of prices for a consumer and safeguard the interest of consumer from perverse pricing? Please provide detailed reasoning/ justifications for your comment(s).

Asianet Response :

Q1 One of the reasons for the major reduction in subscriber base of Cable and DTH is steep increase in in the pay channel costs by the broadcasters by as much as 400% to 500%.

While it was expected that the pay channels would become Free to Air (FTA) after the introduction of 2017 Regulations, the reverse happened . Even FTA channels with low viewership were converted to pay to make them part of bouquet to increase the viewership, as FTA channels can not be clubbed with pay channels as per regulations.

While the maximum channel price in a bouquet was capped at Rs.12 as per 2020 amendments, the broadcasters went ahead to price the channels at Rs 20-23 and kept them outside the bouquet. The Regulator may note that upon implementation of Digital Addressable System under Regulations 2012, TRAI has given freedom to broadcasters to price the a la carte channels. It is evident that in the previous regime, most of the the leading channels at regional level were priced around Rs.5. Please find below illustration showing the channel prices of driver channels of south India:

S.No	Channel Name	Genre	Declared as SD or HD	Pre NTO (A)	NTO 1 (B)	NTO 2 (C)
1	Asianet	GEC	SD	5.23	19.00	23.00
2	Sun TV	GEC	SD	5.25	19.00	23.00
3	Vijay TV	GEC	SD	1.80	17.00	19.00
4	Maa TV	GEC	SD	5.25	19.00	23.00

In the regime before January 2019, since majority of the dominating channels (except Sports channels) were priced in the range of Rs 5, considering an inflation of 7% there should not be any necessity to increase the price above Rs.9 p.m. /-. It is clear that the broadcasters by increasing the prices steeply, are looking to earn very high profits from the subscription charges severely affecting the subscribers.

Pushing the channels to subscribers even in Digital era:

While the stated objective of Digitalisation is to promote a la carte options by subscribers, in practice, it has not taken place due to a loop hole in the Clause 10(12) of interconnection regulations, which allows 15% discount by broadcaster to DPO based on achievement of a minimum penetration of their channel/ bouquet.

If the 15% discount is not linked to penetration of channels but is combined with the 20% distribution fee to DPOs, the DPOs will stop pushing the bouquets and subscriber choice will prevail leading to broadcaster needing to reduce the prices of its channels.

By making the distribution fee at 35% and doing away with minimum penetration targets on DPOs to earn discounts, the subscriber choice will get prominence and leading to market led price discovery of the channel which will most probably make the broadcaster to reduce the prices of the channels strictly based on the market demand from subscribers instead of using the MSOs to push the channels to earn 15% discount based on penetration of channel. Accordingly explanation para in Clause [10 \(12\)](#) of Interconnection Regulations may be deleted.

"Explanation: For removal of doubt, it is clarified that any discount, offered as an incentive by a broadcaster on the maximum retail price of the pay channel or the bouquet of pay channels, based on actual number of subscribers or actual subscription percentage, recorded in a month shall not amount to guarantee for a minimum subscriber base or a minimum subscription percentage for its channel."

With regard to NTO2 (2020 amendments), based on the direction from the authority, provisions relating to reduction in NCF, multi-tv subscription have been implemented by the MSOs and LCOs leading to revenue loss for MSOs. Being stakeholders, broadcasters need to price the channels in a responsible manner and the regulations should restrict the pay channel prices to Rs 12 p.m.

Q2. What steps should be taken to ensure that popular television channels remain accessible to the large segment of viewers. Should there be a ceiling on the MRP of pay channels? Please provide your answer with full justifications/reasons.

Asianet Response :

After a huge loss of subscriber base in view of price hikes by broadcasters from 2019 followed by Covid, the subscribers are very price sensitive and the broadcasters should be responsible in the pricing of their channels. The MRP of the channel shall be capped to Rs.12. We request the authority to ensure that there should not be any advertisement on the channels priced above Rs.12/-

As suggested above, the 15% discount should be merged with distribution fee so that pure subscriber choice alone determines the off take of the channel rather than push by DPOs to package the bouquets to increase the channel off take to earn 15% discount. Such an amendment will lead to market led price discovery of the channel /bouquet based on subscriber choice.

Q3. Should there be ceiling on the discount on sum of a-la-carte prices of channels forming part of bouquets while fixing MRP of bouquets by broadcasters? If so, what should be appropriate methodology to work out the permissible ceiling on discount? What should be value of such ceiling? Please provide your comments with justifications.

Asianet Response :

Yes, there should be ceiling on the discount on sum of a la carte prices of channels forming part of bouquets while fixing the MRP of bouquet so that unwanted channels are not pushed to subscribers in the form of bouquet increasing the cost to subscribers. There should be linkage of Bouquet price and sum of a-la-carte price so that the pricing is not skewed in favour of bouquets.

While successive regulations have been trying to balance bouquet vs a la carte, the efforts have always been on pricing front such as :

- (i) 15% ceiling was introduced in 2017 regulations which was termed by Madras High Court as arbitrary.
- ii) Twin conditions as in Analogue era was incorporated in the 2020 Amendments.

Keep in mind the observations of the courts, yet to meet the subscriber objectives, it is recommended to look at framing the bouquet related regulations on bouquet vs a la carte from a different lens other than pricing alone.

Freedom to form bouquets: In the interest of consumer, it is important that the broadcasters are given freedom to form bouquets but the freedom should not be allowed to be misused.

The following steps will help in giving the broadcaster a freedom to bundle but at the same time protect subscriber interests:

- a) Allow smaller number of relevant channels (same language channels/ same genre of channels) in a bouquet so that it makes sense to the subscriber. Bundling of channels from different languages / genres may not be allowed
- b) Smaller bouquets mean smaller price which itself is a relief to subscribers.
- c) Empower and reward DPOs to form bouquets of channels of a broadcaster and earn the additional discounts (above current 35% distribution fee and discount). As DPOs are closer to the ground rather than the broadcaster, the regulatory framework should allow broadcasters to specify the discount based on number of channels of a broadcaster say 3 channel /5 channel/ 10 channel rather than broadcaster forming the bouquet in a rigid manner which may not be in subscriber interest.

The contents of the bouquet can be limited by language and genre so that the bouquet size is smaller and more relevant. While India is 60% rural and can not understand English, the current bouquet system allows bundling Vernacular channels with English or different languages thus burdening the subscribers.

The regulations should restrict the bouquet composition by language and genre. As Sports channels are seasonal unlike entertainment channels (which are watched 365 days a year), combining the sports channels with entertainment channels may be disallowed.

High bouquet discounts of as high as 50% - currently in force -over the sum of a la carte prices also point to the fact that they are operating with prices with very high profit margins and hence there is a scope for steep reduction in channel prices.

Q4. Please provide your comments on following points with justifications and details:

- a. Should channel prices in bouquet be homogeneous? If yes, what should be an appropriate criteria for ensuring homogeneity in pricing the channels to be part of same bouquet?**

b. b. If no, what measures should be taken to ensure an effective a-la[1][1][1]carte choice which can be made available to consumers without being susceptible to perverse pricing of bouquets?

c. Should the maximum retail price of an a-la-carte pay channel forming bouquet be capped with reference to average prices of all pay channels forming the same bouquet? If so, what should be the relationship between capped maximum price of an a-la-carte channel forming the bouquet and average price of all the pay channels in that bouquet? Or else, suggest any other methodology by which relationship between the two can be established and consumer choice is not distorted.

Asianet Response :

a & b) Yes, channel prices in the bouquet to be homogeneous .

c) Homogeneity in a bouquet should not only seen as homogeneity in prices, but more importantly homogeneity in content – considering the India’s social, cultural and demographic diversity.

Further, as explained in Question 3, homogeneity in content will help in reducing the bouquet size, avoid bundling channels of different language / genres curtailing skewed bouquet pricing vs a la carte pricing.

Q5. Should any other condition be prescribed for ensuring that a bouquet contains channels with homogeneous prices? Please provide your comments with justifications.

Asianet Response :

Same answer to Question Number 4

Q6. Should there be any discount, in addition to distribution fee, on MRP of a-la-carte channels and bouquets of channels to be provided by broadcasters to DPOs? If yes, what should be the amount and terms & conditions for providing such discount? Please provide your comments with justifications.

Asianet Response :

To achieve the objective of consumer choice, provision linked to 15% incentive to be completely removed and MSO should be given 35% of MRP as distribution fee. This will remove the need of DPOs to push the broadcaster’s agenda of pushing bouquets just to earn the 15% discount and allow subscriber choice to prevail. This will help subscribers to choose their own channels / bouquets which will lead to market led price discovery.

Q7. Stakeholders may provide their comments with full details and justification on any other matter related to the issues raised in present consultation.

Asianet Response :

(i) Pay channel MRP to be capped at Rs.12/- for the channels in bouquet or a la carte channels

(ii) 35% distribution to be allowed to DPOs by merging incentive of 15% with the distribution fee for both a la carte channels and bouquet of channels so that the DPOs do not push bouquets to earn the 15% of MRP based on broadcaster goals. This will lead to true subscriber choice leading to market led price discovery of channels.

Regards

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