

**DIGICABLE'S VIEWS ON DRAFT TARIFF ORDER PRESCRIBING STANDARD
TARIFF PACKAGE (STP) FOR SET-TOP-BOXES FOR DIGITAL ADDRESSABLE
CABLE TV SYSTEMS**

Following are Digicable's views on the draft tariff order prescribing Standard Tariff Package for Set-Top-Boxes.

- 1) A subscriber who desires to avail the services of multi-system operator (MSO) shall make an application for supply and installation of one or more STBs at his premises through his **local cable operator (LCO)** and indicate his choice of tariff suitable to him i.e. the Standard Tariff Package (as prescribed by the Regulator) or the Alternative Tariff Package (as prescribed by the MSO)
- 2) The communication of technical or operational non-feasibility shall be done by the **LCO**
- 3) Option – 1 & Option – 2 (Security Deposit – Refundable)
 - a. There is no adequate protection for the MSO in case the customer, during the first five years of service, relocates to an area where the MSO is not providing service. There needs to be a legal mandate from the Regulator that the STB should be returned back to the MSO in case of relocation or change of service provider
 - b. In case the STB at the time of returning during the first five years of service is tampered with, then the amount that should be deducted from the security deposit is not mentioned. There is a requirement of clarity for this condition. In

most of the cases, as experience so far by the MSO, the STB being returned is either tampered or damaged

- 4) The MSO has no control on the usage of the STB by the customer e.g. the Customer may be using sub-standard electrical switches without proper earthing, STB is kept in closed non-ventilated enclosure, there is no power surge protection system like stabilizer, etc.
- 5) Also, the STB components like Chip, motherboard, tuner etc. are sourced from different vendors who provide warranty of a maximum of 12 months. Hence, after the 12 month warranty period, it becomes commercially unviable for the MSO to repair the STB free of cost. Globally, no electronic products across the world have a warranty greater than 12 months
- 6) We therefore propose there a free repair and maintenance period of 12 months
- 7) **Considering the above facts, the MSO should be allowed to collect appropriate repair and maintenance charges after the expiry of warranty period of 12 months**
- 8) The value of STB is derived from the following
 - a. The STB hardware i.e. motherboard, Chipset, tuner, remote, adapter etc.
 - b. The smart card (Viewing card)
 - c. STB financing cost i.e. interest on debt funding which ranges from 11% to 15%
 - d. Logistics cost i.e. STB transportation cost from manufacturer to Airport/Seaport, cost of clearing the STBs from Customs, STB transportation cost from Airport/Seaport to MSO's warehouse, Warehousing cost, STB transportation cost from warehouse to MSO's

local warehouses, STB transportation cost from local warehouse to LCO offices/storage, STB transportation cost from LCO office/storage to end customer's premises

- e. The Manpower cost for pre-activating the STBs, Subscriber Application Form (SAF) collection, entry of SAF into the system and installation of STBs
- 9) Moreover, the MSO has already invested heavily into Conditional Access System (CAS), Subscriber Management System (SMS), Call Centers, and other related IT systems to manage the Digital Addressable Cable TV platform
- 10) In light of above facts on investment and expenditure, an appropriate installation and activation charge is ideally applicable. The charges thus collected will go automatically into further expansion and development of Digital services
- 11) In our understanding, in case of a rental scheme the asset being used always remains the property of the issuer (original owner) hence the same norm be followed in case the Standard Tariff Package
- 12) There are implications on Accounting of such STBs in MSOs books and can result in complications in terms of Asset recording in MSO's books, Taxation (Direct and Indirect), Working Capital management and most importantly in the valuation of the company as the rental income will have to be accounted as other income and is not considered for valuation

- 13) **HIRE PURCHASE SCHEME** - If the Regulator is of the view that the STB ownership is required to be transferred to the Customer then we can have a new scheme namely **Hire Purchase Scheme** in which a minimum down payment is required to be made by the customer and pay an EMI for a period of 5 years after which the STB ownership will be transferred to the customer
- 14) We recommend **Rs.400/- down payment** and an appropriate EMI