

Tariff Issues related to Cable TV Services in Non-CAS Areas

1. Are the figures in Annexure B3 representative for the different genres of broadcasters? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the genre, and not of your company.

No Comment.

2. Are the figures in Annexure B5 representative for aggregators? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

No Comments.

3. Are the figures in Annexure B7 representative for the national MSOs? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

No Comments.

4. Are the figures in Annexure B7 representative for the regional MSOs? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

There are number of Companies which operate on a Regional basis with last mile connectivity (example- Asianet, Ortel, ICC, ATRIA). They can not be classified as MSOs or LCOs since their business model is involved in an end to end network which is the most appropriate and world dominant Business model. The approximate figures for such companies are as below:

(Figures in Rupees per subscriber per month)

| | |
|-----------------------------|--------------------------------|
| ARPU: | 155 |
| Carriage Fee | 25 |
| Pay Channel cost | 70 |
| Other operating cost | 85 |
| Capital expenditure: | Rs 5000 per subscriber. |

5. Are the figures in Annexure B9 representative for the LCOs with > 500 subscribers? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

As explained above

6. Are the figures in Annexure B9 representative for the LCOs with \leq 500 subscribers? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

No comments

7. What according to you is the average analog monthly cable bill in your state or at an all India level?

We are operating in Chattisgarh, Orissa, Andhra Pradesh and West Bengal. As per our observation in these markets the average monthly cable bill is around Rs 200/- in major towns, Rs 125/- in small towns and Rs 50/- in rural areas. The ARPU will be lower after deducting service tax and entertainment tax which varies from market to market.

8. Is the market for cable services in non-CAS characterized by the following issues:
(i) Under-reporting of the analog cable subscriber base .

Yes, but this is an accepted phenomenon since almost all market operate on analog service which is not addressable. In absence of actual database of subscription/viewership of different channels there is no other option but to negotiate the subbase with the broadcasters. Hence instead of calling it under reporting this should be called "negotiated viewing subscriber base"

- (ii) Lack of transparency in business and transaction models

No. There is a complete transparency interms of agreement between broadcaster and MSO/LCO, bills/money receipts to consumers. Also in certain cases where the business is run by corporates the books and records including the subscriber base is audited by chartered accountant firms. Hence it is wrong to say that the business is characterized by lack of transparency.

- (iii) Differential pricing at the retail level

Yes. Since the retail market is serviced by multiple LCOS they charge different prices to different consumers depending on what is collectable from the market.

- (iv) Incidence of carriage and placement fee

Yes. Since the number of channels available in India is much higher than the analog capacity, certain channels which are keen to get visibility pay carriage/placement fee. However this is more in metros and major markets which are TRP heavy.

(v) Incidence of state and region based monopolies

No. In every State and region there are multiple MSOs/LCOs. Also there is a lot of competition from DTH. However in certain markets there is a monopoly at LCO level. But at MSO level there is competition in almost every major markets.

(vi) Frequent disputes and lack of collaboration among stakeholders

While carrying out a commercial business there will be certain disputes among stakeholders.

9. Are these issues adversely impacting efficiency in the market and leading to market failure?

Yes. This will get streamlined once addressability in the market is increased.

10. Which of the following methodology should be followed to regulate the wholesale tariff in the non-CAS areas and why?

i) Revenue share

ii) Retail minus

iii) Cost Plus

iv) Any other method/approach you would like to suggest

Cost plus model is not at all acceptable. Some of the broadcasters have track record of making too much of investment in the content which is not desired by the consumers at that cost.

The other two models i.e., Revenue share and retail minus, though logical, can not be effectively implemented on ground in absence of verifiable data base of subscribers/viewership/revenue in an analog/ non-addressable mode.

Hence the Regulator and the industry, instead of trying to regulate non-addressable pricing, should focus on increasing addressability in the market which would lead to solutions to most of the problems.

However in an interim a-la-carte pricing should be encouraged. Currently the broadcasters' a-la-carte pricing and bouquet pricing is done in a manner (generally sum of a-la-carte prices higher than the bouquet price by around 50%) that encourages bouquet subscription. We suggest that it should be mandated to reduce the gap from 50% to around 10% which will encourage a-la-carte subscription. Also it is seen that the individual channels in a bouquet are not uniformly priced. Some of the channels are priced at very high level which is again intended to discourage a-la-carte subscription. We

suggest that a-la-carte price of any particular channel should not be more than 10-20% higher than the average price of the channel in the bouquet.

Once the wholesale price is fixed, there should be a proportionate discount for Y and Z category of towns. There should also be a further discount for small towns and rural areas. This is in line with the current practice of differential retail pricing for different places based on affordability. In this connection kindly refer to our comments against point no. 17 below.

11. If the revenue share model is used to regulate the wholesale tariff, what should be the prescribed share of each stakeholder? Please provide supporting data.

Not applicable

12. If the cost plus model is used to regulate the wholesale tariff, should it be genre wise or channel wise?

Not applicable

13. Can forbearance be an option to regulate wholesale tariff? If yes, how to ensure that (i) broadcasters do not increase the price of popular channels arbitrarily and (ii) the consumers do not have to pay a higher price.

No there should not be any forbearance. Efforts should be made to regulate pricing.

14. What is your view on the proposal that the broadcasters recover the content cost from the advertisement revenue and carriage cost from subscription revenue? If the broadcaster is to receive both, advertisement and subscription revenue, what according to you should be the ratio between the two? Please indicate this ratio at the genre levels.

The Broadcasters should classify their channels as either FTA or pay channels. FTA channel should get the entire advertisement revenue to meet out content cost. But if it is a pay channel they should not carry any advertisement. They should collect only subscription revenue and be placed on addressable tier.

15. What is your view on continuing with the existing system of tariff regulation based on freezing of a-la-carte and bouquet rates as on 1.12.2007; and the rate of new channels based on the similarity principle at wholesale level? You may also suggest modifications, if any, including the periodicity and basis of increase in tariff ceilings.

The existing system of Tariff Regulation of Broadcasters in our view is not adequate. Please refer to our response against point no 10 above for our suggestions.

16. Which of the following methodologies should be followed to regulate the retail tariff in non-CAS areas and why?
- i) Cost Plus
 - ii) Consultative approach
 - iii) Affordability linked
 - iv) Any other method/approach you would like to suggest

Affordability linked is the best one as it take care of the ultimate customers requirement and capacity to pay.

17. In case the affordability linked approach is to be used for retail tariff then should the tariff ceilings be prescribed (i) single at national level or (ii) different ceilings at State level or (iii) A tiered ceiling (3 tiers) as discussed in paragraph 5.3.23 or (iv) Any other

Neither a single at National level nor separate ceiling fro separate State is appropriate because every state has population of all category of consumers. Hence we suggest a tiered pricing linked to different categories of places to be implemented. Currently the ceiling is defined for three categories of towns i.e X, Y nad Z. It is necessary to split Z category in to two different categories of towns (say Z-1 and Z-2) in terms of affordability. Currently the price for the Z category is Rs 214/- which should remain for Z-1 category and we suggest Rs 150/- to be the price for Z-2 category. It is also necessary to introduce a ceiling for Rural areas. We suggest to fix Rs 100/- as ceiling for Rural areas.

These price ceiling should apply only to analog/non-addressable consumers. To the extent the consumers are converted to digital/addressable, the price ceiling should not apply as the consumer has option to choose and pick the channels.

18. In case of retail tariff ceiling, should a ratio between pay and FTA channels or a minimum number of FTA/pay channels be prescribed? If so, what should be the ratio/number?

We think the current Tariff order is clear and adequate in this regard.

19. Should the broadcasters be mandated to offer their channels on a-la-carte basis to MSOs/LCOs?

Refer to our comments against point no. 10 above.

20. How can it be ensured that the benefit of a-la-carte provisioning is passed on the subscribers?

Refer to our comments against point no. 10 above.

21. Are the MSOs opting for a-la-carte after it was mandated for the broadcasters to offer their channels on a-la-carte basis by the 8th tariff amendment order dated 4.10.2007. If not, why?

Refer to our comments against point no. 10 above.

22. Should the carriage and placement fee be regulated? If yes, how should it be regulated?

No. The carriage and placement fee should not be regulated and should be left to market forces (supply Vs demand).

23. Should the quantum of carriage and placement fee be linked to some parameters? If so, what are these parameters and how can they be linked?

Not applicable.

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24. Can a cap be placed on the quantum of carriage and placement fee? If so, how should the cap be fixed?

No. The MSOs and LCOs are making huge investment in building a infrastructure which is being shared by the broadcasters for distributing their signal, hence they should pay for it. The network with better quality infrastructure and reach will command a higher price. Any cap on a carriage fee will vitiate the situation where there will be no differentiation between good and bad quality infrastructure. Hence there should not be a cap. For example telecom companies are sharing the towers where the price is not regulated.

25. Is there a need for a separate definition of commercial subscriber in the tariff order? -

No. The commercial subscribers are situated mostly within the city limits. It is not practical and viable to invest in separate infrastructure (head end) for commercial subscriber. Hence the IRDs received for retail markets are also used for commercial subscribers. In view of this it is not practical to collect subscription from commercial subscribers at different rates. Also in case of DTH there is no difference between a retail and commercial subscriber.

26. If the commercial subscriber is to be defined in the tariff order, then does the existing definition of 'commercial subscriber' need to be revised? If yes, then what should be the new definition for the commercial subscriber?

No

27. In case the commercial subscriber is defined separately, then does the present categorization of identified commercial subscribers, who are not treated at par with the ordinary subscriber for tariff dispensation need to be revised? If yes, how should it be revised?

Not applicable

28. Should the cable television tariff for these identified commercial subscribers be regulated? If yes, then what is your suggestion for fixing the tariff?

No

29. Do you agree that complete digitization with addressability (a box in every household) is the way forward?

Subject to our response to point no. 30 if complete digitalization with addressability is adopted for all pay channels only then it would help achieve growth of industry and is the way forward.

30. What according to you would be an appropriate date for analog switch off? Please also give the key milestones with time lines.

The cable networks have capacity to carry more than 50 analog channels even after providing adequate number of channels on digital, hence analog channels should not be switched off at all. Steps should be taken to carry FTA channels in analog at a low pricing and shift all pay channels to digital addressable system over a period of time. This also should be implemented in phases in different geographies starting with metros and going down to other urban areas subsequently. However the small towns and rural areas will always be better served on analog where the operator can give a compact channel list comprising of some FTAs and pay channels.

31. What is the order of investment required for achieving digitization with addressability, at various stakeholder levels (MSOs, LCOs and Customers)?

MSO- approximate Rs 2-3 lakhs per channel per headend (around 50 km radius) depending on variety of value added services.

LCO - Ideally there is no additional investment required for digitalization for LCOs . However in case the existing network quality is bad it needs up-gradation.

Customers. The Set Top Boxes would cost Rs 2-3 thousand per customer. Most of the cost is to be subsidized by MSOs/LCOs. In the interest of future of digitalisation the broadcaster should be asked to share a portion of this subsidy along with the MSOs/LCOs.

32. Is there a need to prescribe the technology/standards for digitization, if so, what should be the standard and why?

No. The MSOs should decide the technology they want to use. In order to protect the consumer's interest an appropriate refund scheme should be offered to the subscriber at the time of surrendering the service.

33. What could be the possible incentives that can be offered to various stakeholders to implement digitization with addressability in the shortest possible time or make a sustainable transition?
- i. Exemption of service tax and entertainment tax on digital services.
 - ii. Exemption of import duty on Set Top Boxes and digital head-ends.
 - iii. Making it mandatory for broadcasters to share a portion of STB cost.
 - iv. The price applicable to mandatory CAS areas should be extended to voluntary CAS areas.

34. What is your view on the structure of license where MSOs are licensed and LCOs are franchises or agents of MSO?

This would oppose the provisions of the Cable Televisions Networks (Regulation) Act, 1995 as it defines a cable operator. That apart MSO has been defined in CAS area to include LCOs when it is having its own competence to receive signal and transmit them independently to a subscriber even. Hon'ble TDSAT has ruled in that respect in Non-CAS areas even. So both should be allowed to operate. But LCOs of above referred category who chose to operate independently should only be required to get License.

35. What would be the best disclosure scheme that can ensure transparency at all levels?

Subscriber Management System.

36. Should there be a 'basic service' (group of channels) available to all subscribers? What should constitute the 'basic service' that is available to all subscribers?

Apart from mandatory Door Darshan channels no other channels should be mandated to be available to all subscribers.

37. Do you think there is a need for a communication programme to educate LCOs and customers on digitization and addressability to ensure effective participation? If so, what do you suggest?

Yes. The benefits of digitalization need to be explained to them by contact programs.

38. Stakeholders are free to raise any other issue that they feel is relevant to the consultation and give their comments thereon.

- i. Basic Telephony service License should be given to Cable Networks without any license fee so that the high quality network already available can be leveraged to provide wired line telephony services at cheaper prices.
- ii. IP Telephony should be allowed to be inter connected with PSTN.

- iii. **ROW should be allowed on a mandatory basis.**
- iv. **FDI should be raised to 74%**
- v. **Must provide clause to be truly implemented, so that serious operators don't spend years in TDSAT. Today this is the major entry barrier in the industry.**

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