

BIF RESPONSE TO TRAI CONSULTATION PAPER ON TARIFF RELATED ISSUES IN BROADCASTING & CABLE SERVICES

At the outset, we wish to thank the Telecom Regulatory Authority of India (TRAI) for the opportunity to participate in this consultation process on 'Tariff related issues in B&C Services'. We hope that the inputs given by us shall be of assistance to the TRAI to create an enabling regulatory framework for provisioning of cable TV services in the broadcast sector. We also take this opportunity to congratulate TRAI on the successful implementation of the new consumer-centric regulations which have allowed consumers to make informed choices and brought transparency and hygiene into the sector.

It is noteworthy to mention that India is a very large pay-TV market with **197 million TV households growing at 7.5% y-o-y** (FICCI M&E Report 2019). TV penetration in the country has increased from 64% in 2016, to 66% in 2018, and the segment has a **potential to reach INR 955 billion by 2021**, with the subscription revenue growing at 8%. It is therefore important that the sector's regulations support this growth aptly.

In today's digital world, broadcasting is undergoing a transformation due to the convergence of mediums of content delivery, for example, linear TV content is also now available through handheld devices and personal computers and online content can be viewed on connected TV sets. Co-axial cable which delivers TV content when upgraded to fibre optic cable can deliver converged services such as voice, video and data.

PERFORMANCE OF INDIAN BROADCASTING INDUSTRY

Growth trajectory of the Television Broadcasting Sector (figures in INR billion for calendar years)

Segment	2016	2017	2018	2019 (Estimated)	Segmental growth 2017 v/s 2018
Television	594	660	740	815	12.1%

(Source: FICCI-EY report on India's Media and Entertainment Sector, March 2019)

As is evident from the growth trajectory above, the Indian broadcast industry has grown significantly. At this rate of growth, there is tremendous potential for the growth of the sector which will only be possible if it is given an opportunity to harness its creative resources to create differentiated/niche content and attract fresh investments. Given that one of the goals of National Digital Communications Policy 2018 is the promotion of Intellectual Property Rights, we suggest that TRAI should consider adopting a **light touch regulatory approach** that allows the industry to grow and innovate.

Keeping the above principles in mind, we wish to submit the following recommendations:

- **'Tariff forbearance' principles should be adopted in broadcasting**

TRAI in 2017, had issued a consultation paper on '**Regulatory Principles for Tariff Assessment**' in the Telecom sector wherein the Authority had highlighted the significance of 'forbearance':

*"Currently, except for the tariffs for national roaming, fixed rural telephony and leased lines, tariffs for other telecommunication service are under forbearance. **In accordance with the policy of 'light-touch' regulation being followed, the tariff framework gives the TSPs...the freedom to design the tariffs according to the prevailing market conditions. This has resulted in emergence of new and innovative products in the market that are designed to provide telecom services at affordable and competitive price to the consumers.***

As TRAI has itself recognised the importance of light-touch regulations and tariff forbearance for the telecom sector, we urge TRAI to adopt the same regulatory approach for the broadcasting sector also. After 'tariff forbearance' had been adopted by TRAI in telecom, the tariff rates for voice, data and messages have been set at the lowest by the telecom service providers. Given the fact that the broadcasting industry is extremely competitive, with more than 890 TV channels operating in the market, and lack of mismanagement on part of the service providers, we suggest that the Authority should adopt the same approach towards broadcasting. This will enable consumers to benefit enormously. Therefore, we request **TRAI should take steps to create regulatory certainty for cable and broadcasting sector, and leave aspects such as tariff, discounting, cable rentals, etc. to prevailing market forces.**

- **'Bundling' of services carries immense benefits for subscribers**

After years of intense competition and rock-bottom tariffs, the Indian telecom sector is providing bundled offerings to be the first arrows drawn from the quiver. The operators are now looking at bundling other services to increase consumer stickiness in a hyper-competitive market and boost their topline. The '*quadplay package*', as it is popularly known, bundles a wired broadband connection, landline, mobile phone, and content, together sold by a single service provider who offers this through a fibre duct that enters homes. This model is popular in the US and parts of Europe, where a single operator offers such gamut of services. The Indian telecom players have now moved to the next level of bundling content with the mobile data plan. With a vibrant broadcasting sector where more than 900 on-air TV channels operate with distribution platforms and technologies, there is no dearth of competition. If service providers are given the flexibility to bundle their channels, they will be able to offer variegated content to consumers at the lowest possible price.

Adopting the practice followed in the Telecom sector, where no restrictions have been imposed on bundling of voice, data, SMS; we suggest that broadcasting sector should also be allowed to freely bundle the TV channels, keeping the overall consumer interest in mind. It is felt that imposing of high-handed regulations on the broadcasting sector, coupled with regulated price is likely to impact the

overall consumer interest. We would request the Authority to permit that channel bundling be determined by the market forces, so that consumers are able to enjoy services at the lowest possible price.

- **Unbundling of 'local loop' is a solution for monopoly of last mile operators**

Predominantly, pay TV services in India are being delivered through Cable TV and Direct to Home (DTH) systems. Other modes of TV broadcasting such as Internet Protocol TV (IPTV), Head-end In the Sky (HITS), etc. have miniscule subscriber base as compared to the Cable TV and the DTH systems. There are 5 pay DTH operators, 2 IPTV operators, 2 HITS operators and over 1,00,000 Multi System Operators (MSOs) and Local Cable Operators (LCOs), providing TV services through Addressable Systems in the country. Presently, the Customer Premise Equipment (CPE) of a particular operator installed at the premises of a subscriber cannot be used by the subscriber for reception of signals of the other operators. In such a scenario, every time when a subscriber wants to avail the services of the new operator, he has to buy a new Set-Top Box. This creates a monopolistic situation in small areas where only one MSO or LCO is operative. Thus, we also request the Authority to ***make provision for inter-operability of set-top boxes*** used by the distribution platform operators, which the Authority has been discussing for quite some time now. This will allow the consumers greater choice of not only selecting the TV channels they want to watch, but also opting for the services of a Distribution Platforms Operators (DPO) of their choice.

The economic future of the world is digital and only those economies that are able to connect their populations to internet at a fast pace and at affordable costs, are going to be the winners in the new economy. Thus, lowering the infrastructure costs involved in setting up Digital Infrastructure (Broadband capable infrastructure) is the need of the hour. This can be done by ***utilizing the already existing "last mile" carriage infrastructure*** laid down over the decades, upgrade it and open it to any party interested in utilizing the same for provisioning broadband services to the masses. The same has also been recognised by the ***National Digital Communications Policy 2018***, which calls for enabling infrastructure convergence of Information Technology, Telecom and Broadcasting.

Therefore, we urge the Authority to mandate that last mile connectivity be opened for provisioning of broadband services on a market compensation basis. Increased penetration of wired broadband through cable TV operators on "***network neutrality***" basis will allow consumer choice, and thus lead to increased consumption of broadband enabled services.

- **Performance at last mile level needs to be gauged in the interests of consumers**

There are striking differences in the obligations of TSPs in the telecom sector and that of the broadcasting vertical. While the Authority is stringent with Telcos which are required to submit Performance Key Quality of Service Parameters, Financial Reports, Performance Indicator Reports

