

Responses in blue

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.
 - Cannot comment in the absence of relevant data. On the *prima facie* looks incorrect looking at the growth in broadcasting segment.
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.
 - Cannot comment in the absence of relevant data.
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, on the revenue side the subscription contribution is in the range of 30%-50% and carriage contributes to 50%-70% of the total revenues and 5% contributed by other smaller revenue streams like advertisement etc., contrary to the 65:35 ratio in favour of subscription as reflected in the annexure B7
 - For new national players the broadcaster payout is almost 2-2.5 times the subscription amount, for older player's broadcaster payout is more or less equal to subscription amount. The annexure represents broadcaster payout of older and stable market players
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.
 - No, on the revenue side the subscription contribution is in the range of 60%-70% and carriage contributes to 20%-30% of the total revenues and 10% contributed by other smaller revenue streams like advertisement etc.
 - On the cost side the broadcasters have given better content deals to regional players in order to keep a check on national players, hence the Broadcaster payout to subscription ratio of 4:1 is not a true representative of the market condition

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.

- No, the average declaration across India is in the range of 10% -20% as against mentioned as 25% (4x households) mentioned in the annexure B9. Larger the LCO lesser is the declaration or higher the discount from the retail tariff owing to the higher bargaining power of the LCO.
- The indicative programming cost which has been represented as approximately 48% of the subscription revenue reflects a much higher declaration, which has not been the case, the programming cost is lower than the declaration % owing to two level discounting, declaration and retail price to wholesale price
- The other operating cost for LCO's is also minimal and primarily includes man power cost, off late major operational overheads like repair and maintenance for LCO are managed by MSO's
- The EBIDTA margins for LCO's are in the range of 50%-60% as against 14% as per derived calculations

6. 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.

- The EBIDTA margins for LCO's are in the range of 30%-40% as against 15% as per derived calculations.

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

- The Average monthly cable bill at an all India level is approximately Rs 165-170 as mentioned

8. Is the market for cable services in non-CAS characterized by the following issues:

- (i) Under-reporting of the analog cable subscriber base
- (ii) Lack of transparency in business and transaction models
- (iii) Differential pricing at the retail level

- (iv) Incidence of carriage and placement fee
- (v) Incidence of state and region based monopolies
- (vi) Frequent disputes and lack of collaboration among stakeholders

- Yes, the industry is characterized by each of the above mentioned issues

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

- Under-reporting of the analog cable subscriber base is the biggest issue which has created a stress on the business models of all the stakeholders except LCO's. The inequitable distribution of revenue amongst the stakeholders creates an imbalance in the ecosystem. The under reporting is the root cause for other issues like, (ii) Lack of transparency in business and transaction models,(vi) Frequent disputes and lack of collaboration among stakeholders
- Factors like, Differential pricing at the retail level, (iv) Incidence of carriage, and placement fee (v) Incidence of state and region based monopolies are driven by market forces and do not have adverse impact on the industry

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
- Revenue Share

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.

- The revenue share can be regulated between MSO and Broadcaster in the ratio of 55:45 in favor of the MSO of the revenue earned from the LCO by the MSO, i.e. on the declared subscriber base
- The revenue amongst the broadcaster can be distributed based on the 60 day moving average of GRP's earned by the broadcaster; to subject it to regional influence state wise GRP data can be used to ascertain the ratio in each state.
- Such indexes can be released by TRAI based on TAM reports
- Broadcaster have been using TAM reports for long to ascertain their advertising revenue hence authenticity and effectiveness of the reference data is unquestionable and is acceptable to all stakeholders.
- MSO shall provide quarterly auditable reports to TRAI as practiced in Telecom to ascertain subscription revenue.

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

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.- NA

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?

- In a market with 70% FTA channels the above proposal does not work,
- Broadcasters should adopt either of the two revenue stream as practiced in Developed economies, the network channels earn Advertisement income and Premium/Niche channels earn subscription income
- Hence pay TV should not be allowed to collect advertisement and advertisement driven channels should not be allowed to charge subscription

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.

- In the event of broadcaster payout being linked to subscription revenue as suggested in point 11, the pricing would be market driven
- In current scenario the aggregators and broadcasters enjoy undue control and dominance and hence force bouquet offerings over A-la-carte option on MSO

- The Aggregators and Broadcasters on adoption of a-la-carte, demand an increase in declaration which makes adoption of a-la carte unviable for MSO.
- Hence a declaration of subscriber should remain the same in the event of switch from bouquet to A-la-carte

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

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

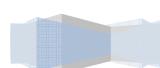
- A tiered ceiling (3 tiers) as discussed in paragraph 5.3.23

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?

- Out of the 485 channels there are approximately 129 Pay Channels which translates to 26:74 in favor of FTA channels, the same ratio should be prescribed in case of a retail tariff ceiling

19. Should the broadcasters be mandated to offer their channels on a-la-carte basis to MSOs/LCOs? If yes, should the existing system continue or should there be any modification to the existing condition associated with it?

- The Broadcaster should be mandated to provide channels on a-la-carte basis to the MSO, the existing system should be modified or alternatively the system should be evolved for an MSO to create its own bouquet to suit requirement.



- In the existing system the broadcasters bundle their non performing channels with the performing channels and thrust it on the MSO, and eventually on the consumers, for eg: zee has bundled 30 channels in its bouquet although only 4-5 channels have a demand at consumer end.
 - The Aggregators and Broadcasters on adoption of a-la-carte, demand an increase in declaration which makes adoption of a-la carte unviable for MSO.
 - Hence a declaration of subscriber should be remain the same in the event of switch from bouquet to A-la-carte
20. How can it be ensured that the benefit of a-la-carte provisioning is passed on the subscribers?
- With affordability linked retail pricing, the benefit would be automatically be passed to subscribers
 - The retail tariff ceiling along with competitive market forces would ensure that the consumer gets the benefit of a-la-carte provisioning
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?
- The broadcasters have used their market dominance to keep such options at bay from the MSO, The Aggregators and Broadcasters on adoption of a-la-carte, demand an increase in declaration which makes adoption of a-la carte unviable for MSO.
 - with 5-6 new national MSO entering the market in the last 2 years the option has not been exercised due to competitive pressure
22. Should the carriage and placement fee be regulated? If yes, how should it be regulated?
- Carriage should not be regulated, and should be determined by market forces
 - Globally carriage is not regulated and same practice should be adopted,
 - Carriage is very similar to the rent for using the infrastructure, and as per market estimates carriage market is approximately Rs 1000 Crs which is just 10% of the advertising revenue earned by the broadcasters
 - In any retail distribution rent/ distribution is always 10%-15% of the total revenue
 - Carriage/Placement are driven by broadcasters strategy to position itself in order to earn substantial advertisement revenues
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?
- Frequency should be auctioned similar to spectrum auction as practiced in telecom. This would thereby allow the market forces determine the price of a frequency

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

- Cap cannot be fixed on the carriage and placement fee as it is based on demand and supply

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

- Yes

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?

- Limited Information

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?

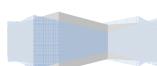
- Limited Information

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

- Limited Information

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

- Yes



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

- 2012- Top 55 cities
- 2013- Top 110 Cities
- 2014 – complete Digitization

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

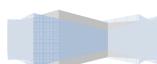
- Investment to the tune of Rs 35,000 Crores is required to achieve cable digitization, with a majority of investment to be made by the MSO.
- The distribution/ absorption of cost at various stakeholder levels would be ascertained by market condition or regulatory framework.
- Broadcasters who would benefit the most due to digitization should also be made to contribute to the digitization by contributing in some manner

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

- No, current technology specifications are sufficient to support mass market digitization

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?

- Easy access to capital should be made available to national MSO's
- Digitalization should be treated at par with infrastructure industry and Benefits similar to SEZ policy should be granted to the MSO's for digitalization
- LCO should be restricted by regulation to switch between MSO's by law on digitalization to minimize cost of digitization
- Income Tax/VAT/Service Tax incentives should be provided for the first 5 years to MSO's who are investing in Digitalisation process and are converting their networks to digital from analog. This could be similar to incentives for companies spending on R&D activities, whereby 125% of the spend is allowed as a deduction.



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

- Net worth criteria should be introduced for any new MSO license to keep at bay non serious players in the market
- LCO's should be made franchisees and agents for MSO and a No due certificate should be made mandatory for any shifting of LCO from one MSO to another

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

- Invoicing of customer by MSO
- Submission of Quarterly revenue statements in a format prescribed by the regulator by all stake holders

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?

- Yes, 5 government channels 3 National and 2 regional channels should form part of the basic service group

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?

- Digitization would require a different skill set and a sizeable work force, generic training programmes should be conducted by TRAI for all the stake holders to ensure effective participation. Existing as well as fresh talent should be trained to build and manage a robust digital infrastructure
- MSO and LCO should air infomercials on their local channels to educate customer about benefits of digitization

