

ISSUES FOR CONSULTATION- Our responses :

TRAI's Questions and our Responses:

1. *Are the figures in Annexure B3 representative for the different genres of broadcasters? What according to you are the correct representative figures? When providing representative figures, please provide figures for the genre, and not of your company.*
2. *Are the figures in Annexure B5 representative for aggregators? What according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.*
3. *Are the figures in Annexure B7 representative for the national MSOs? What according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.*
4. *Are the figures in Annexure B7 representative for the regional MSOs? What according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.*
5. *Are the figures in Annexure B9 representative for the LCOs with > 500 subscribers? What according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.*
6. *Are the figures in Annexure B9 representative for the LCOs with =< 500 subscribers? What according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.*

Ans. Our reverts on above ques 1 to 6:

On MSO (National) model:

The carriage revenue should be governed by the market scenario only. Even with this the EBIDTA is barely around 4%. If this this amount were to go down, regulatory support for enhancing subscription and other incentives to MSOs will be required for Cable MSOs to stay in business in a transparent way

On LCO model:



The revenues are conservative and costs are high. The declaration of a LCO varies from 15% to 30% of its actual subscriber base

The overall costs, if calculated for the total revenue of the operators per, then the costs of content, collection and maintenance will be much less

The collection costs per sub basic can be around Rs. 10 to Rs. 15 per month/per sub. The maintenance is mainly done by the MSOs for LCOs and whenever any cable change and other minor issues for quality is required for subscribers, it is normally charged by LCOs. Hence, the maintenance costs can be at best around Rs. 15 per sub/month.

Considering above LCOs profitability margins are much higher and EBIDTA should be considered higher accordingly

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

Ans. Average monthly cable bill in Punjab would be Rs. 150/- incl taxes. And at an All India level, average monthly bill would be Rs. 150/- to Rs.175/- incl taxes.

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

(i) *Under reporting of the analog subscriber base.*

Ans. The so called under reporting of the analog subscriber base is because of the exorbitant and unrealistic rates charged and the bouquet enforced by the broadcasters.

If any LCO is to declare the correct subscriber base he will not be able to sustain his business. 100% reporting would result in a subscriber paying Rs.1200/- and broadcasters taking over Rs.1000/- for the entire spectrum.

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

Ans. Transparency can only come through digital addressable system. The LCO's fear that the increased declarations at prevailing pay channel rates and negotiating scenario would be used by the pay broadcasters to completely ruin their business by charging unrealistic fees.

(iii) *Differential pricing at Retail level.*

Ans. The paying capacities varies from city to city, locality to locality and from strata to strata depending upon their requirements and capabilities to



pay. A high end subscriber would want all the premium movies / sports channels and will be willing to pay for it which would not be the case for a subscriber living in LIG area.

(iv) Incidents of carriage and placement fee

Ans. Carriage and placement fee is not a universal phenomenon and is limited to certain markets catered by TAM only, which is a fraction of total market. It is nothing but a share of advertisement revenue which broadcasters earn when they are placed on certain frequencies / bands and are able to monetize more from advertising agencies.

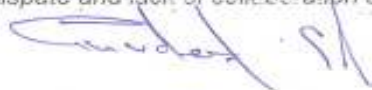
1. This is a contract between 2 parties based on the broadcaster's strategies
2. This is part of their channel promotion/ initiating/ launch/ brand building strategy
3. Broadcasters want channels to be carried on particular frequencies based on their research and to generate higher advertising revenues. Similar to FMCG companies who want products displayed at a particular place & pay charges for it
4. Broadcasters launch new channels, increasing payouts to them
The MSOs Provide the channels to consumers without charging anything extra They incur costs but receive no increase in revenues
Promotion, brand building, placement income is one of the ways to recover such costs

We have today over 500 channels out of which around 132 channels are pay and rest are Free to Air, which is in the ratio of 1:3. All these 132 pay channels are in three to four bouquets whereas the channel carrying capacity on all analog networks is not more than 80. By virtue of their dominant position and their agreements. The top pay broadcasters occupy all analog frequencies leaving very few frequencies to Free to Air channels.

(v) Incidents of States and Region based monopolies

Ans. This is a situation based issue but the tariff order are transparent and the regulations are empowered to ensure smooth business transactions in a competitive environment.

(vi) Frequent dispute and lack of collaboration among stakeholders



Ans. Following issues can be sighted for this :

- 1) Unrealistic terms/rates imposed by pay broadcasters lead to disputes.
- 2) Lack of any infrastructure/mandate to protect the interest of stakeholders also leads to disputes.
- 3) Lack of trust among stakeholders in the absence of any foolproof mechanism to check operations at various levels.

Q9. *Are these issues adversely impacting efficiency in the market and leading to market failure?*

Ans. Yes as this entire business is not regulated and without any checks and measures. The market is dominantly controlled by the broadcasters who are vertically linked to the MSOs and the growth of MSO is dependent on content.

Broadcasters are fiercely promoting growth from DTH but at the same time are demanding and getting revenue growth from MSOs / LCOs despite the fact that both these are competing in the same field and losing ground to incumbent players. Government is not taking steps to either implement CAS or digitalization plan which is leading to losses to MSO/LCO and with no new investment coming, efficiency is getting eroded and may lead to market failure for cable if not addressed immediately.

Q10. *Which of the following methodology should be followed to regulate the wholesale tariff in the non-CAS areas and why?*

i) *Revenue Share.*

Ans. Yes but in an addressable scenario (30% to broadcasters and 70 % for MSO and LCO)

ii) *Retail minus.*

Ans. Not possible in a non addressable regime where the base is negotiated.

iii) *Cost plus.*

Ans. Not Possible in a non addressable regime, the figures arrived would be notional.



Q.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?*

Ans. MSOs 30%, LCOs 40%, broadcasters 30%. The same ratio would be applicable since it is the MSO and LCO who bear the major cost of upgradation, headend maintenance, digitalization, network etc. As far as broadcasters are concerned, they recover their cost not only by subscription but by advertisement. Many also collect revenue from India and abroad from the same content on multiple platforms.

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

Ans. If the cost plus model is used, it should be channel wise, to avoid disputes. Each channel feels that their programming is the best and should not be compared to others in the same genre.


Q.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.*

Ans. No. Subscription tariffs needs to be regulated till the time addressability is mandated and market is mature enough both for competition and forbearance.

Q.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?*

Ans. At present, broadcasters are recovering 80-85% from advertisement and 15-20 % from subscription and the same should be allowed. Indicating the ratio genre wise would be difficult as each channel has different viewership within the genre.

Q.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.*



Ans. Must continue continue both for customers and Broadcasters. New channels must be ala carte and not added on with any existing bouquet. Broadcasters would use the same to maximize revenues irrespective of the content, quality and cost.

The price freeze should be considered in a genuine platform from Broadcasters to MSO. Keeping price constant and every time asking for an increase in subscriber base, anyway tantamount to circumvent price freeze!

We propose that the price freeze should also include agreed subscriber base. Any change in subscriber base number from the negotiated base can be only based on authentic evidence, either for increase or reduction.

Q.16 Which of the following methodologies should be followed to regulate the retail tariff in non-CAS areas and why?

i) *Cost Plus*

Ans. Not possible as most of the cost data can be inflated or manipulated.

ii) *Consultative approach*

Ans. Consultative approach has been tried but has not yielded any results due to differences between the stakeholders.

iii) *Affordability linked*

Ans. Affordability linked approach has been tried and is successful as far as tariff to the subscriber is concerned by LCO. Common consumer who will suffer in non addressable regime if affordability linked approach is done away with.

Q.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.

Ans. A *different ceilings at State level (ii)* is the correct approach for subscribers and the same should be allowed.

Q.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?



Ans. 30% paid and 70% FTA.

Q.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?

Ans. Yes, broadcasters be mandated to offer their channels on a-la-carte basis to MSOs/LCOs. The maximum rate should not be more than Rs.5/- if the ceilings for tariff from LCOs to subscriber is to be maintained effectively. Broadcasters should not break away from the negotiated subscriber base and demand more subscriber numbers to be declared.

Q20. How can it be ensured that the benefit of a-la-carte provisioning is passed on the subscribers?

Ans. Only by mandating the implementation of a digitized addressable environment.

Q21. 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?

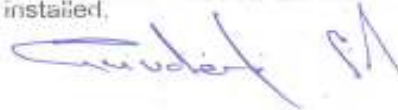
Ans. MSOs are opting for a-la-carte choice but broadcasters are refusing and want to maintain the same revenue standards as in the case of bouquet purchase by increasing the agreed subscriber base irrespective of the number of channels chosen. In other words, denying the benefit of a-la-carte to stakeholders.

Q22. Should the carriage and placement fee be regulated? If yes, how should it be regulated?

Ans. No, it can not and should not be regulated but could be done thru open bidding process.

Q23. 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?

Ans. No, it can not be linked to any parameter as it is restricted to certain areas, where TAM meters are installed.



Q24. Can a cap be placed on the quantum of carriage and placement fee? If so, how should the cap be fixed?

Ans. NO. If there is no cap on the amount of advertisement broadcaster can collect, or a rent landlord can charge, then there should not any cap on carriage and placement fee.

Q25. Is there a need for a separate definition of commercial subscriber in the tariff order?

Ans. For Non Star - 2 star category hotels and other commercial establishments are concerned the price of pay channels is same. 3 star and above hotels, clubs and restaurants can have double the rates than those which apply to a normal household (per room or tv based). Service must be provided thru MSO/LCO and should not be forced to deal directly by broadcasters as demanded by them. If any establishment has its own headend only then it could deal directly deal with the broadcasters.

Q26. 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?

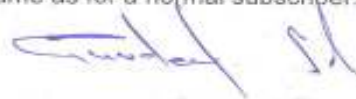
Ans. Must be as mentioned above in answer to Q 25.

Q27. 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?

Ans. Yes, the definition needs to be revised as above and must have those establishments which are for public viewing and earning revenue thru such viewers who watch content at such establishments and pay for it. For eg. Hotels, restaurants, clubs, lounges etc..

Q28. Should the cable television tariff for these identified commercial subscribers be regulated? If yes, then what is your suggestion for fixing the tariff?

Ans. For Four and Five Star hotels, restaurants, clubs - the tariff should be twice the normal subscriber tariff. For anything else from no star to 2 star, the per room/tv tariff can be the same as for a normal subscriber.



Q29 Do you agree that complete digitalization with addressability (a box in every household) is the way forward?

Ans. Yes but, if majority broadcasters turn free to air then analog would be a reality but if all broadcasters turn pay then complete digitalization with addressability would be a way forward.

Q30 What according to you would be an appropriate date for analog switch off? Please also give the key milestones with time lines.

Ans. By 2015. First two years can see the Cat 1 cities (A class) turn digital, in the next 2 years the Cat 2 cities (B and C class) could be targeted and then onwards the rest could follow.

Q31 What is the order of investment required for achieving digitization with addressability, at various stakeholder levels (MSOs, LCOs, and Customers)?

Ans. The investments can vary from Rs. 100 crores to Rs. 1000 crore. MSO sharing would be 45%, LCO 40% and broadcaster 15 %.

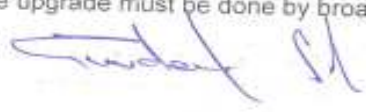
Q32 Is there a need to prescribe the technology/standards for digitization, if so, what should be the standard and why?

Ans. There is a need to prescribed standards for digitalization and already the box etc. are as per BIS standards. We will also have to see that we address issues like open architecture, commercial inter operability, technical inter operability etc. to ensure the problems like MPEG 2 to MPEG 4 migration etc. are addressed before they become a problem.

Q33 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?

Ans.

1. Tax free environment.
2. SEZ like facilities.
3. A-la-carta Pricing
4. Cheaper and 100% financa to be made available
5. Free laying of fibre network to be permitted.
6. Subsidy on funding
7. Cost sharing of the upgrade must be done by broadcasters.



Q34 What is your view on the structure of license where MSOs are licensed and LCOs are franchises or agents of MSOs?

Ans. Considering MSO being licensed, the LCO also must obtain license to ensure their basic credibility

Only experienced players with credibility, financial support, reach and infrastructure be allowed to get the license so as to ensure the high deliverance to consumers.

Q35 What would be the best disclosure scheme that can ensure transparency at all levels?

Ans. Digitised addressibility from Broadcasters to MSO's to LCO's, pre paid model for MSO to LCO to consumers.

Q36 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?

Ans. free to air channels at a fixed cost as per the availability of spectrum in analog. On addressable digitized platform only the 2 national and 2 regional channels must be permitted in the basic service on a STB.

Q37 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?

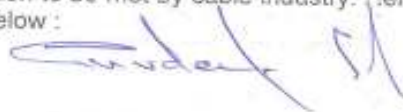
Ans. Yes Govt/Broadcasters/MSO/LCO all must launch a mass communication drive be sustained at least for two years to achieve the same. Funds must be allocated to MSO's to generate awareness amongst the common man for this upgradation. All Broadcasters must be mandated to carry the publicity campaign on their channels on a regular basis for the next 2 years at least.

Q38 Stakeholders are free to raise any other issue that they feel is relevant to the consultation and give their comments thereon.

• Ans.- Way Forward Issues:

Put this cable service under the essential services act.

Most of the burden to be met by cable industry. Hence sops must be provided as mentioned below :





FASTWAY Transmissions Pvt. Ltd.

LAJJYA TOWER, NEAR P. F. BUILDING, SHAM NAGAR,
LUDHIANA - 141 002. E-mail - ftpchd@rediffmail.com

1. Proper space/infrastructure must be provided for laying fibre on roads, highways, cities etc and penalty imposed on any agency which inflicts damage to this and loss to MSO)
2. Single window permission for laying fibre on forest land, PWD land, BRD land, Railways land, Irrigation dept land and all other govt dept land.
3. Condition for acquiring ISP licence for laying fibre for an MSO must be removed.
4. Insurance cover must be mandated for all such equipment/fibre installed at any public/govt land/place.
5. Uninterrupted power supply to be provided to all MSO's/ Headend owners.
6. Terms for acquiring broadband gateways for MSO's must be subsidized.
7. TRAI to ensure that the broadcaster clears all dues pertaining to carriage/revenue sharing with all MSO's on a timely basis.
8. Shifting of LCO's from one MSO to another must be after after obtaining a no dues certificate from the present MSO.
9. DTH must be restricted to personal home viewing only and must not be available for viewing in restaurants, no star or two-three star hotels, clubs or other commercial places as in the present scenario.
10. Government and Regulator must notify a clear-cut roadmap with timelines to ensure that pace of digitalization is hastened.
11. Digitalisation date for conversion of analog to digital addressability for pay channels

A handwritten signature in blue ink, appearing to read 'Sandeep Singh'.