

INDUSIND MEDIA & COMMUNICATIONS LIMITED



Date : 19-01-2018

To,

Mr. S. K. Singhal - Advisor

Telecom Regulatory Authority of India,
Room No. 716, MTNL Building,
Mahanagar Doorsanchar Bhawan,
Jawaharlal Nehru Marg, (Old Minto Road),
Near Dr. Zakir Husain College,
New Delhi-110002.

Subject : Response to the Consultation Paper on Inputs for Formulation of National Telecom Policy – 2018.

Dear Sir,

Please find our response on the above mentioned subject, please find the enclosed document for the same.

Yours Faithfully,

For **IndusInd Media & Communication Ltd.**

A handwritten signature in blue ink, appearing to be 'S. K. Singhal', written over the typed name.

(Authorized Signatory)



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- Q.1** Stakeholders are requested to give their comments on structure and contents of the proposed inputs for National Telecom Policy, 2018, clearly outlining the specifics along with justification.
- Q.2** Stakeholders may also suggest any other issue related to Policy Framework which stakeholders feel is important for growth of telecom sector, along with justification.

We assume that the NTP is also a broadcasting & cable sector which falls under the preview of TRAI and many of the points would be relevant especially for the broadband through Cable/Cable MSOs.

Response to TRAI's Consultation Paper on Inputs for Formulation of National Telecom Policy – 2018.

Understanding Broadband Economics for a Cable TV MSO

Indian cable TV MSOs are at the cusp of unleashing a high-speed broadband internet revolution enabled by cable TV digitization. Most leading MSOs have committed substantial investments towards rollout of broadband services.

However, if you look at the financial position of major MSO's, with negative ROI in their cable business, with more than Rs.3000 crore of accumulated losses and more than Rs,4000 crores of debt, MSOs are not getting investors support for investing any new capex.

On broadband front, competitive environment has become really challenging. On an Average MSO is spending Rs. 7500 incremental capex for a new consumer with 3 years pay back on investment This is assuming 20% home pass penetration. However, due to collapse of mobility data rates and unfair competition from non-licensed smaller players, customer churn is very high and on an average customer are churning out every 2nd year. Even before customer becomes profitable, it gets churned adding to losses of MSOs.

Following are other issues affecting viability of further broadband investment by MSOs:

- (i) Operational delays in acquiring Right of Way
- (ii) Significant fixed costs irrespective of sales conversion
- (iii) Limited bargaining influence with equipment manufacturers
- (iv) Significant revenue sharing with LCOs/Distributors and

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- (v) Non-contiguous areas for network rollout resulting in lower subscriber penetration and higher network maintenance costs. This along with significant under recovery of fixed costs during the initial years makes the overall broadband business economics unattractive for a cable TV MSO.

Cable television industry providing broadband services should not be considered equally with telecom service providers as dynamics of the cable television business are different.

To incentivize the offtake of Home Broadband services riding on Cable MSO and to encourage the MSOs to make suitable investments in upgrading their networks to provide High Speed Broadband, following remedies are suggested

1. Right of Way:

Further, for establishing a Cable TV network, MSOs need to deploy substantial amount of funds needed to lay wires/ lines on ground, building necessary infrastructure such as poles/ post etc. As per the provision of Cable TV Act, the MSOs for establishing the network have to approach the concerned public authorities for obtaining the permission to build such infrastructure on their own or to use the existing infrastructure of public authorities which are owned by them after paying certain amount of fee.

Since such networks are majorly overhead, it is suggested that the poles constructed by public authorities/ power distribution companies should be permitted to support the infrastructure of MSOs. MSOs should be allowed to use the poles/ posts etc. of power distribution companies and thus, share the existing built infrastructure. The sharing of infrastructure will help in optimization of the existing resources, reduction of cost on the part of MSOs and thus, fewer burdens on the consumers.

3. Subsidy from USOF Funds:

There is approximately 49k crore lying ideal in the Universal Service Obligation Fund(USOF) fund with Government. To achieve the broadband penetration as projected in our Prime minister under the Digital India initiative, we request that this amount should be utilized towards giving subsidy to the MSO's for doing Home pass for broadband. We can help the



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government in fixing the criteria and other terms and conditions for MSO's to avail the subsidy.

3. AGR Issue:

As per the unified licenses issued by DOT to these MSO to operate as an ISP, 8% License fee is required to be paid. This 8% License fee is over and above the investment to be made by the MSO is acting as a roadblock due to the increased payback period of the investments.

National Telecom Policy (NTP)-2012 has a goal of Broadband on Demand and envisages leveraging telecom infrastructure to enable all citizens, agriculture and businesses, both in rural and urban areas, to participate in the Internet and web economy thereby ensuring equitable and inclusive development. This can be achieved if the penetration of the Cable TV network is used to its full potential. However, this goal cannot be achieved without proper facilities being granted to the Cable Television Industry, especially MSOs/LCOs.

The TRAI has also recognized the potential of Cable Television Industry to achieve the objective of the NTP-2012. TRAI has taken cognizance of the roadblocks, which are preventing in harnessing the potential. In this regard "Recommendations on Definition of Revenue Base (AGR) for the reckoning of License Fee and Spectrum Usage Charges" dated 06.01.2015, TRAI has recommended that the applicable Gross Revenue should be equal to the total Gross Revenue of the License as reduced by revenue from operations/activities under a permission issued by Ministry of Information and Broadcasting. This recommendation should be accepted by the Government if it intends to achieve its objective under NTP-2012.

Further TRAI in its "Recommendation on Delivering Broadband Quickly: What do we need to do" dated 17.04.2015 has further recommended that Cable Operators should be allowed to function as reseller of ISP license holders to enable them to take advantage of their cable networks to provide Broadband. Further viable business models need to be created by encouraging LCOs entrepreneurship skills and guiding them to handle a new business. **TRAI**

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has further recommended that to promote fixed lines Broadband, the license fee on the revenue earned on the fixed lines Broadband should be exempted for at least 5 years.

- The above 2 recommendations of TRAI are pending decision of the Government and it is prayed that the Government, recognizing the potential of the Cable Television Industry, to achieve its objective of "Digital India":
- Exempt revenue earned from cable television services from the ambit of 8% license fee and
- Exempt 8% licensee fee on fixed broadband providers through MSO for at least 5 years.
- Rationalization of IGST on Customer Premise Equipment including IoT devices

The above 2 will be very effective in ensuring that from very low wireline Broadband penetration India becomes one of highest broadband penetrated countries in the world.

In the Telecom Service Provider/Internet Service Provider ecosystem, The TSP/ISP is responsible for End-to-End Broadband Delivery of the end customer.

4. Business Model:

Broadband Connectivity over Cable is a complex ecosystem involving the Multi Service Operator (MSO)- ISP license holder & the Local Cable Operator (LCO) - The Last mile provider

MSO signs up an LCO for Broadband Distribution using a Franchise agreement based on revenue share

The agreement has defined scope of each partner and their responsibilities

Scope	MSO	LCO
Backend Infrastructure Capex & Opex <ul style="list-style-type: none">- Core Network Elements & Technology selection- BSS/OSS systems for Customer Life cycle- Internet Gateway Bandwidth- NLD Links to connect the LCOs in remote cities	?	

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<ul style="list-style-type: none"> - Regulatory Compliances - Customer KYC & Activation - Customer Care Helpdesk 		
Subscriber Acquisition & Collection <ul style="list-style-type: none"> - Acquiring End customer - CAF, payment collection and submission to MSO Last Mile Activation – Capex & Opex <ul style="list-style-type: none"> - Last mile Delivery over EoC, Ethernet or PON - Customer Premise Equipment (CPE) - Maintenance of customer last mile 		?

The MSO will bill the end customer & LCO will bill the MSO for the above services provided including last mile network services.

MSO Revenues should be calculated after deducting the Commission paid to the LCO for the services provided

The one-time (installation) charges should accrue to the LCO. Capping will apply on the installation charges to be levied by the LCO

To enhance the broadband offtake using Cable Last mile it is requested that,

- **LCOs be connected to MSOs over the national optical backbone at subsidized cost**
- **LCOs be allowed to collect a One-time Installation charge (Suitably capped) directly from the end customer which should not be counted as part of the MSO revenue.**

5. GST

Since broadband is considered as life changing tool for Rural India, GST should be levied at the Minimum Slab Rate instead of present 18%.

Also, ISPs should be allowed to offset GST paid on Bandwidth procured from upstream Tier 1 provider

6. Backhaul connectivity

Fiber assets of BSNL, MTNL, NOFN & Railtel should be available for lease on competitive rates for DAS 2, 3 and 4 areas which will incentivize the MSO/LCO to Connect the "UNCONNECTED HOUSEHOLDS"

7. Value Added Services (TV + Broadband Combo on the same last mile)

Head-End-In-The-Sky (HITS) can change the way TV is delivered to the remote areas. Using a combination of Satellite and terrestrial Co-ax, HITS can deliver TV services to remote areas Changes to the existing HITS license allowing delivery of Live TV content over Next Generation

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IP networks. This will incentivize operators to upgrade their existing Co-axial plant to future proof IP networks (Ethernet/PON).

The implementation of new technology should be encouraged by DoT even if this is not yet suitably covered in existing regulations. As technology develops, the DoT needs to be flexible in permitting the rollout of such new technology even whilst new regulations are being formulated. Technology and R&D must necessarily move ahead of regulations, but its rollout should not be restricted until appropriate laws are necessarily in place in the event that the technology does not put customers directly at risk. This will help India become a driving force in the development of new technologies going forward and inspire more innovation and development within the country. One such technology developed by the Hinduja Group is the IP COPE which enables IPTV delivery of content across the country via satellite transmission to IP STBs. Currently this technology is cutting edge and therefore does not have any specific regulations that cover this new technology and would require an extension to specific regulations to permit the same. However, whilst these changes in regulations can be discussed, the company should be entitled to start to rollout pilot services to test them on the ground subject to getting the necessary rights from content owners etc.

This platform will provide customers across all of India with the capability of receiving IPTV signals to their homes using cutting-edge and innovative technology. Support from DoT and TRAI is required to develop and extend existing regulations to support these new innovative technologies that are being developed by companies, such as ourselves which could extend services across all parts of the country and all spheres of life. IPTV is currently capable of being offered only in large cities, and has, to a large extent, not been very successful. Instead, the new IP HITS platform could extend IPTV across the entire country easily and at cost-effective rates. The support of the new telecom policy and both DoT/TRAI to help foster an environment where innovation is encouraged and promoted.

8. Additional Comments

1. The implementation of the infrastructure sharing recommendations of TRAI with respect to the sharing of satellite transponder space by DTH and HITS players should be implemented, which will free up satellite transponder space. This will allow digital TV platform operators to take advantage of shared satellite broadcasting to provide more stable video services to their customers than those provided via fibre/OFC which are susceptible to bandwidth limitations or physical cuts.
2. The implementation of "Special Technology Zones" are a great idea and would enable companies to further enhance their R&D activities for new products. The DoT should also be open to allowing companies to rollout new pilot projects for new technologies which may not yet be regulated or covered suitably under existing regulations to avoid stifling

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innovation and development. There should also be a fast-track process for getting approval from DoT to rollout new services/products that do not fit under existing regulations.

3. Implementation of IoT devices needs to be looked into with care and certified to ensure security and safety of customers. Many IoT devices sold by companies from across the world have the facility for hackers to take over the systems and access sensitive data, including home security video, data in private home networks etc. There needs to be a set of strict security tests that sensitive IoT devices need to be able to meet in order to ensure consumers' privacy and security.
4. The new telecom policy should also cover the OTT video services and how these are to be regulated, if at all, which does not prejudice Indian OTT service providers viz-a-viz companies offering services from other countries which are accessible within India.
5. The new telecom policy should also cover how cyber security and online piracy issues can be handled as these are areas that will create a large threat going forward to both Indian businesses and consumers. Cyber security and the theft of personal/business data is becoming extremely important subject and effective laws need to be implemented for handling this whether this is effected within or from outside of the country on Indian data and servers. Further video/copyright piracy is becoming more prevalent than traditional cable piracy. Effective laws need to be implemented to enable content owners to shut down online piracy taking place in a timely fashion. Support from ISPs, datacenters both national and international are required and efficient policing/legal process to get these websites shutdown effectively to ensure protection of content owners. The policies also need to take into consideration personal data theft and identify theft and how these are to be handled both at a criminal level, but also how customers can "reset" their identities in the event that they are victims of this type of attack which could affect their access to bank accounts, ownership of property, access to credit/banking facilities and many other tangible impacts which could destroy a person's life.
6. Similarly, data protection laws need to be tightened on how online companies can use customers' data, including the sale, distribution and storage of the same. It is important that companies are forced to maintain this data securely, and distribution/sale of customer data should be regulated and customers must be informed of the same.

