Response To The Consultation Paper Dated 22nd December 2011

We, Manthan Broadband Services Pvt. Ltd. have been in the MSO business since November 2002 and have been successfully operating in the CAS Zone of Kolkata since January 2007. Apart from the CAS Zone in Kolkata KMA, we also operate in the Non CAS areas of KMA, significant parts of the States of Bengal, Jharkhand, Orissa and Assam. We are already providing Digital signals to our customers in the cities of Kolkata, Jamshedpur, Ranchi, Durgapur, Raiganj and the areas adjoining these cities from our Digital Headends located at Kolkata, Ranchi, Durgapur and Raiganj.

Our submission on the issues for consultation are as follows:-

Basic Service Tier for the Digital Addressable Cable TV Systems

Q1. What should be the minimum number of free-to-air (FTA) channels that a cable operator should offer in the basic-service-tier (BST)? Should this number be different for different states, cities, towns or areas of the country? If so, what should be the number and criteria for determination of the same?

A1. The minimum number of FTA channels that a cable operator should offer in the BST should be as per the following:-

For all areas, minimum FTA channels should be 40.

Q2. In the composition of BST, what should be the genre-wise (entertainment, information, education etc.) mix of channels? Should the mix of channels and/or the composition of BST be different for different states, cities, towns? If so, how should it be?

A2. The composition of the BST should be left for the market forces to determine and there should not be any genre-wise mix which should get specified. The reasoning for this is that each and every market is unique in its demand for content and there cannot be any predetermined formula to arrive at this ideal market specific mix of channels. Our experience in CAS areas also suggests that post leaving the mix of FTA channels to the market forces, the consumers have been catered to with the ideal mix as per the demands from time to time.

Q3. What should be the price of BST? Should this price be different for different states, cities, towns or areas of the country? If so, what should be the price and criteria for determination of the same?

A3. The following should be the pricing of the BST across the different phases of Digitisation:-

Rs. 105/-

The rationale for this pricing is based on the assumption that in CAS Zones the minimum number of FTA channels to be provided is 30 at a Basic rate of Rs. 82/- per subscriber. By the same analogy, providing 40 FTA channels at Rs. 105/- BST cost is also justified.

Q4. What should be a-la-carte rate of channels that form part of BST? Should there be a linkage between a-la-carte rate of channels in the BST to the BST price or average price of a channel in the BST? If so, what should be the linkage and why?

A4. The composition of the BST should be only of FTA channels and as such, there should not be any individual/a-la-carte pricing of FTA channels. The charge to be paid by the subscriber for BST would be the bare minimum to be paid for availing Digital FTA channels through a Set Top Box in the DAS areas and this would include the service charge of the LCO and the cost of delivery of such channels in the Digital mode for the MSOs.

Retail Tariff for the Digital Addressable Cable TV Systems

Q5. Should the retail tariff be determined by TRAI or left to the market forces? If it is to be determined by TRAI, how should it be determined?

A5. The experience in CAS Zone of Kolkata has revealed that fixation of the Pay-Channel cost to subscribers to a MRP of Rs. 5.35/- per pay channel has allowed the consumers to benefit by way of subscribing to their choice of Pay Channels without being made to watch the Pay Channel bouquets in entirety (even though subscribers do not wish to subscribe to certain pay channels forming a part of the bouquet). TRAI should extend the CAS Zone pricing of Pay Channels to the DAS areas as well and leave the pricing of Pay Channels within the cap of **Rs. 5.35/-** to the respective channel providers.

(a) Should the a-la-carte channel price at the retail be linked to its wholesale price? If yes, what should be the relation between the two prices and the rationale for the same?

A5. (a) The cap of Rs. 5.35/- per pay channel should be applicable to the Retail level. The wholesale pricing of bouquets of broadcasters can be left to the individual negotiations of Broadcasters with the MSOs as is the practice today

(b) Should there be a common ceiling across all genres for the pay channels or different ceilings for different genres? What should be the ceilings in each case and the reasons thereof?

A5. (b) The MRP of Rs. 5.35/- per pay channel also takes care of the genre wise maximum capping for Pay Channels. The market forces would then help in determining the price of each pay channel within this maximum capping over a period of time.

(c) Should there be a common ceiling across all genres for the FTA channels or different ceilings for different genres? What should be the ceilings in each case and the reasons thereof?

A5. (c) The FTA channels being offered in the BST, would be governed by the cost of the BST as described in answer 3 earlier.

Interconnection in the Digital Addressable Cable TV Systems

Q6. Does any of the existing clauses of the Interconnection Regulations require modifications? If so, please mention the same with appropriate reasoning?

A6. The Interconnect Regulation clauses need no amendment as of now.

Q7. Should the subscription revenue share between the MSO and LCO be determined by TRAI or should it be left to the negotiations between the two?

Q8. If it is to be prescribed by TRAI what should be the revenue share? Should it be same for BST and rest of the offerings?

A 7 & 8.

The following Revenue Sharing arrangement in terms of BST and Pay Channel subscriptions should be mandated by TRAI:-

BST: LCO – 80%; MSO – 20%
Pay Channels: Broadcasters – 40%; LCO – 30%; MSO – 30%

The rationale for the revenue sharing arrangement as suggested above is drawn from the following – In CAS areas, FTA channels are provided as a part of the BST in Analog mode and the proceeds from the same are entirely that of the LCO as this is construed more as a Service charge payable to the LCO by the subscribers. Since the DAS areas would imply delivery of these FTA channels in the Digital mode, it would also imply that the MSOs would incur a cost of delivery even for the FTA channels (in terms of arranging and maintaining of STBs, maintaining a Digital Headend for such delivery and incurring far higher operational expenses even for the delivery of FTA channels in Digital mode. The 80% revenue for the LCOs would imply that the interest of LCOs would also remain active as this is the same revenue being earned by the LCOs in CAS Zones for the FTA channels. The 20% revenue share for the MSOs would ensure that the cost of delivery of such channels in the Digital mode is recovered by the MSOs.

As far as revenue sharing arrangements for Pay Channels are concerned, in the CAS Zone, the revenue sharing has been prescribed as Broadcasters – 45%; MSOs – 30% and LCOs – 25%. The relatively low LCO margin has somewhere been detrimental for increasing the number of Pay Channels that a viewer watches over a period of time as the LCOs do not market these Pay Channels enough owing to the low return from the same. This in turn results in a loss of potential viewership on part of the Broadcasters. Hence, in order to balance out the effect of this situation, it is suggested that the Broadcaster share of the Pay Channel fees be restricted to 40% (the present share of 42% on the RIO rate of Broadcasters is also almost close to this suggested figure) and the LCO sharing be increased to 30% on the Pay Channel MRP to the subscriber.

Q9. Should the 'must carry' provision be mandated for the MSOs, operating in the DAS Areas?
Q10. In case the 'must carry' is mandated, what qualifying conditions should be attached when a broadcaster seeks access to the MSO network under the provision of 'must carry'?
Q11. In case the 'must carry' is mandated, what should be the manner in which an MSO should offer access of its network, for the carriage of TV channel, on non-discriminatory terms to the broadcasters?

A9, 10 & 11.

Apart from the Doordarshan Channels, there should not be any "Must Carry" provision for the MSOs. The rationale for this is based on the fact that every state and every town of the country is different in terms of channel requirement/consumption. Demand for channels are best left to market forces as it allows the end consumer a choice to watch/not watch content being broadcast.

Q12. Should the carriage fee be regulated for the digital addressable cable TV systems in India? If yes, how should it be regulated?
Q13. Should the quantum of carriage fee be linked to some parameters? If so what are these parameters and how can they be linked to the carriage fee?
Q14. Can a cap be placed on the quantum of carriage fee? If so, how should the cap be fixed?

A12, 13 & 14

Carriage Fees at the present is governed by market forces and requirements of individual broadcasters. In the future as well, Carriage fees should be left to market forces and individual broadcaster requirements. This is very much linked to the "Must Carry" clause and since we do not want "Must Carry" to be a part of the Regulation for DAS implementation, regulating Carriage Fees also seems logically incorrect.

By the same rationale, linking of carriage fees to any quantitative or qualitative parameter is not correct as various broadcasters have various requirements in terms of carriage of channels. In fact, this system is presently prevalent in the DTH segment as well which is already operating in a virtual DAS environment. Since carriage fees are left to market forces for DTH players, the same should be followed for the MSOs.

The capping on Carriage Fees is not applicable as the entire subject of carriage fees is based on the specific requirement of a broadcaster, the area in which he/she needs to be visible and the footprint of the specific MSO and his ability to deliver to the Broadcaster their respective requirements.

Q15. Should TRAI prescribe a standard interconnection agreement between service providers on similar lines as that for notified CAS areas with conditions as applicable for DAS areas? If yes, why?

A15. TRAI should definitely prescribe a SIA in lines with the one being followed in the CAS areas. This is specifically recommended with the intent that all stakeholders of the industry would need to be brought on uniformity in terms of systems and processes for implementing DAS on the ground. Without a SIA in place, there is a high risk of stakeholders not complying with certain pre-requisites for implementation and resorting to bargaining power as a tool for defining the terms of agreement. In most cases, this would prove to be discriminatory in nature in favour of the entity with a higher bargaining power. In order to ensure uniformity across all levels, the SIA is an absolute necessity.

Quality of Service Standards for the Digital Addressable Cable TV System

Q16. Do you agree with the norms proposed for the Quality of Service and redressal of consumer grievances for the digital addressable cable TV systems? In case of disagreement, please give your proposed norms along with detailed justifications.
Q17. Please specify any other norms/parameters you may like to add with the requisite justifications and proposed benchmarks.

A16 & 17. QOS as has been already proposed should be adhered to. However, the formats for application could be standardised by TRAI as per the requirements. The QOS needs to be in line with the QOS prescribed for CAS area MSOs and operators.

Q18. Who should (MSO/LCO) be responsible for ensuring the standards of quality of service provided to the consumers with respect to connection, disconnection, transfer, shifting, handling of complaints relating to no signal, set top box, billing etc. and redressal of consumer grievances?

A18. Both MSO as well as LCO would be responsible for ensuring QOS in their respective areas of delivery. The MSO would be responsible for QOS in terms of STBs, digital Headends, Subscriber Management Systems and delivery till the LCOs control room. The LCO would be responsible for QOS in terms of delivery from their Control Room to the end subscriber's premises.

Q19. Whether Billing to the subscribers should be done by LCO or should it be done by MSO? In either case, please elaborate how system would work.

A19. Since the SMS system and server is being maintained by the MSO, the Billing would need to be done by the MSO itself. The MSO would generate the bills pertaining to the Pay Channels and the BST for each subscriber through its SMS server and the same would be handed over to the LCOs for distribution, collection and remittance to the MSO post deduction of the LCO share of BST and LCO share of Pay Channels. The system should be the same as in the CAS areas presently.

Q20. Should pre-paid billing option be introduced in Digital Addressable Cable TV systems?

A20. In the present industry scenario, the norms are that the LCO collects monthly subscriptions from the end subscribers every month. This system of collections from end subscribers is also being followed in the CAS areas and as such, the same should continue. In the future, with the introduction of Value Added Services, the facility of purchasing Pre-paid cards from the LCOs could definitely be introduced.

Miscellaneous Issues

Broadcasting of Advertisement free (ad-free) channels

Q21. Whether an ad-free channel is viable in the context of Indian television market?

A21. An ad-free channel is very much viable in the Indian television market as there would always be a group of subscribers who would wish to avail of such channels at a premium pricing.

Q22. Should there be a separate prescription in respect of tariff for ad-free channels at both the wholesale and retail level?

Q23. What should be the provisions in the interconnection regulations in respect of adfree channels?

A22 & 23. The pricing of ad-free channels should be left to market forces as the Broadcaster's only avenue for earning revenues from these channels would be by way of Subscription revenues collected by them.

Q24. What should be the revenue sharing arrangement between the broadcasters and distributors in respect of ad-free channels?

A24. The revenue sharing arrangement for such channels should remain the same as has been proposed earlier by us.

Non addressable digital Set top boxes

Q25. In case you have any view or comment on the non-addressable STBs, you may please provide the same with details.

A 25. There should not be any provision for non-addressable STBs and all delivery of channels must be through the encrypted mode only. This is very critical to ensure that channel piracy does not take place at the down the line levels.

Reference point for wholesale price post DAS implementation

Q26. Would there be an impact on the wholesale channel rates after the sunset date i.e. 31st Dec 2014, when the non-addressable systems would cease to exist? If so, what would be the impact?

A 26. The wholesale price of bundled bouquets of channels would certainly be determined by market forces. In the long run, with addressability in place, the volumes would go up for all Broadcasters and MSOs and as such, the wholesale prices would then re-align and find its correct pricing point based on Market demand and content being provided to the subscribers. The a-la-carte rate of channels should be limited to a MRP of Rs. 5.35/- as has already been suggested and the price discovery would always be subject to this upper limit of prices for the channels.