

Shri Wasi Ahmad
Advisor (B&CS)
Telecom Regulatory Authority of India
India

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Dear Sir

Please find attached our inputs on various issues raised in TRAI's consultation paper dated December 22, 2011, relating to the implementation of digital addressable cable TV systems.

Media Partners Asia Ltd. (MPA) is a leading independent provider of information services with multiple platforms, including research, consulting, publishing, online and conferences.

MPA December 6 published a report entitled Investing in Digital India, which clearly indicates digitization will bring a significant transformation to the TV industry with a positive impact also on the nascent broadband market.

Yours sincerely



Vivek Couto
Executive Director

Basic Service Tier for the Digital Addressable Cable TV Systems

1. 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?
2. 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?
3. 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?

[MPA] In the international context, there is no current precedent to encourage significant regulatory intervention in the programming, packaging and pricing of a digital basic tier. We note some key considerations:

1. In the United States, cable companies are required to offer a basic service tier. The basic service tier is required to include, at a minimum, the local broadcast television and the public, educational and governmental (PEG) access channels that the operator may be required to offer pursuant to an agreement with the local government. In the United States, digital basic or starter packs typically include more than 70 – 80 TV channels.
2. In Taiwan, Korea and Japan, cable companies generally are required to offer a basic service tier and in certain instances, are required to carry local community channels and indigenous access channels in the basic tier. In these markets, the average size offering for the basic digital tier varies between 40 – 80 TV channels. In terms of bandwidth and capacity, Taiwan operators are restricted due to an analog simulcast model and therefore operators are constrained in the number of channels they can offer in digital whereas operators in Japan and Korea typically offer more than 70 – 80 TV channels in the digital basic tier.
3. In India, the basic digital cable TV product retailed to consumers should be left to market forecasts and at the discretion of multi system operators and local cable operators, based on prevailing consumer demand and the popularity of various regional, national and local channels in any given market. Typical basic level packages for DTH operators in India include between 90 and 180 TV channels with pay and free to air offerings catering to various consumer segments and covering multiple genres.
4. Price regulation above and beyond that stipulated by the existing TRAI tariff order in July 2010 (minimum basic price of Rs150 per month) should not be introduced. DTH pay-TV operators in India are currently retailing base packages to subscribers at Rs170 – 180 per month while the DD Direct platform with more than 100 TV channels is available freely to consumers. In the United States, basic cable service retail rates are regulated where the FCC is not satisfied that there is effective competition in a relevant market. As nationwide DTH has brought competition almost everywhere, there are very few local markets subject to this minimal form of retail rate regulation. Consumer competition in India's TV distribution market has also grown at a significant pace. As a result, there are more than 50 million households subscribing to TV and related services from pay and free DTH platforms versus approximately 90 million homes that rely on cable service. This is helping to promote effective consumer competition and choice as well as greater price stability.

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?

- [MPA] There is no international precedent for an a-la-carte mandate being introduced in legislation. While there has been much debate on a-la-carte in the United States pay-TV market, it has yet to be introduced in the form of a mandate due to its potential adverse impact on consumer choice, industry competition and the availability of niche programming. In any event, cable companies in the United States and various international markets have worked with channel partners to introduce a-la-carte options for consumers for premium and niche genre channels in addition to core packages. Operators are also experimenting with thinner or small channel packages to help consumers defray costs and provide improved choice.

Retail Tariff for the Digital Addressable Cable TV Systems

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?

- [MPA] TRAI has commendably implemented a robust tariff order in July 2010 for the deployment of addressable systems, effectively ensuring forbearance for retail rates. Based on interviews with all key distribution platforms, MPA, in its Investing in Digital India report (published in December 2010), anticipates a significant escalation in ground competition between cable operators and pay / free DTH platforms. Such competition will prove advantageous for the consumer as it will help stabilize prices for pay television. Note also that the average blended cost of pay-TV in India has grown at less than two per cent between 2006 and 2011, according to MPA analysis, significantly below inflation.

Interconnection in the Digital Addressable Cable TV Systems

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

- [MPA] The mandate for the deployment of digital addressable system (DAS) is welcome and must be enforced to ensure that each operator deploying a digital system must also rollout conditional access smartcards or CAS in the set top box as well as a subscriber management system or SMS. This will ensure addressability for all stakeholders including consumers. Cable multi system operators should also be liable for a monthly submission of data for subscribers falling under DAS).

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?

- [MPA] There is no global precedent for wholesale regulation in pay-TV including regulating revenue sharing mechanisms between pay-TV distribution platforms and channel providers / broadcasters. Such mechanisms are left to prevailing market forces though it will be important to recognize the role of local cable operators (LCOs) in the revenue sharing process to suitably incentivize them.

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?

- [MPA] There is no wholesale regulation or regulation or revenue share in international markets; typically revenue share is closely linked to the subscriber scale of a cable operator and the content of a particular pay-TV provider.
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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?

- [MPA] Digital and related infrastructural capEx will be entirely borne by the MSO so the MSO should be entirely responsible.

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.

- [MPA] As above, the MSO.

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

- [MPA] Yes.

Miscellaneous

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

- [MPA] Once there is a significant critical mass of digital cable subscribers to encourage premium only digital pay channels. This critical mass could equate to 20 – 30 mil. digital cable subs.

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

- [MPA] No regulation required.

What should be the provisions in the interconnection regulations in respect of ad free channels?

- [MPA] No regulation required.

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

- [MPA] No regulation required.