

**TRAI Supplementary CONSULTATION PAPER**

**No. 7/2009**

**DATED 24<sup>th</sup> December 2009**

**ON**

**Tariff Related Issues for DTH Services**

**RESPONSE FROM  
NEO SPORTS BROADCAST PRIVATE LIMITED**

## **Definition of Different Packages**

- 4.1.1 Whether there is a need to differentiate various packages for the purpose of wholesale tariff determination?
- 4.1.2 If yes, how to define a basic package and add-on package for the purpose of wholesale tariff differentiation in relation to DTH services? Please elaborate your comments with appropriate reasoning.

### **Our Reply :**

The DTH Operator should treat all the channels equally and in non discriminatory manner. Since there is no regulation to protect the interest of the Broadcasters against discrimination; a few (new and/or Small) broadcasters tend to be discriminated by the DTH Operators with respect to packaging and pricing.

Presently the DTH Operators are forming the bouquet as per their own wish and commercial benefit without considering the interest of the Consumers and broadcasters. The Broadcasters, who are paying the high placement fee their channels are placed in a better (basic) tier which is a clear discrimination and injustice to the small or new broadcasters who cannot afford to pay the high placement fee but have the capability and good content with them.

It is further stated that the bouquet may neither be financial viable either to the consumers or to the broadcasters whose channels are not in the bouquet. It is to be noted that normally the bouquet is comprised of a few popular channels and rest of the unpopular channels are tied up. The other popular channels are divided in various bouquets or sold in add on package on a very high rates. In addition the bouquets of channels are offered at a low rate (which some time is less than the cost price) and the differential price of the channels (in the bouquet) is allocated to the other channels being distributed in add on package. The DTH operator, in order to cover up this differential cost, fix up the MRP of other channels (which are not the part of the said bouquet) with very high margin due to which the off take of other channels become low and the whole margin goes to the DTH Operator only. By such practice the broadcasters whose channels are not the part of the bouquet has to suffer with lower revenue causing huge revenue loss to them which may lead to even closing down their business. In addition the consumes has also bound to pay for the other channels they intend to subscribe to.

Considering above it is suggested that in case any channels are to be sold forming part of such (basic) bouquet the whole sale price of such channel should be lower than the normal DTH Price and be fixed up with the mutual consent of both the parties, so that the other channels are not hit by such packaging and the consumers should also get benefit by this transaction.

It is further suggested that the consumers should be given the option to either subscribe to any of the channels in a-la-carte mode or the package being offered by the DTH Operator. There should not be any compulsion to subscribe to any (basic or entry level) bouquet; rather the consumer should be given an option to select the channels of their choice which of-course is the ultimate objective of introducing addressable system.

In addition the DTH Operator should not be given the unfettered rights to form a bouquet unless it has subscribed the channels in a-la-carte mode. In case the DTH Operator has subscribed the bouquet from any particular broadcaster the same should be sold in the same form, however in case the DTH Operator intends to form a bouquet which is mix of channels he should first approach to the broadcaster for the same and settle the whole sale price (which need to be lower than the a-la-carte price) and once the price is settled the channels should form part of the bouquet. The DTH Operator to invite all the broadcasters to offer their channels for becoming part of the bouquet, by this way the discrimination by the DTH Operator could be avoided and all the stake holders would be benefited.

The impact of such arrangement will be that all the stake holders would be benefited, as the broadcasters and DTH Operators would get benefit of high turn over and the consumers would get the service with cheaper rates.

The above principal would also help in creating a fair price offer to the consumers and thereby packaging and pricing will also becomes competitive and healthy competition will bring consumer satisfaction, in addition fixation of MRP or higher margins by DTH operators will limit the scope of discrimination between channels.

Consequent upon the above, the package being sold in a large quantity to be treated as the Basic Package for which the channel to be made available on 50%, however in case any channels are being sold by DTH Operator on the same basis as subscribed from the Broadcaster, the MRP of the said package to be decided by the broadcaster keeping in mind the margin of DTH Operator to the extent of 30-40%.

We endorse the view as suggested by the Authority in clause 3.8 of the Consultation paper that the entry level package should be defined the package which is being opted by the maximum number of Subscribers out of a total subscriber base of a particular DTH Operator. As rightly observed by the Authority that this is the package which is reaching to the maximum number of subscribers (and giving each and every consumer the option to select the channel of his own choice). in a given set of subscribers, this package has the potential to maximize the subscription revenue. So, for the purpose of wholesale tariff dispensation, this package may be categorized separately in our view.

We further endorse the view of the Authority that as far as definition of add-on-package is concerned, the same should be the package offered over and above the entry-level package subscribed by registered subscriber.

### **Wholesale Price Formulation**

**4.1.3 Whether there is a need for different wholesale price formulation for a TV channel/bouquet depending upon its inclusion in different packages offered to the subscribers by the DTH operators. You may also suggest any other option for differential wholesale price formulation. Please elaborate your comments with appropriate reasoning.**

**4.1.4 If the wholesale price is to be linked with packaging of the TV channels then what should be the relationship between wholesale prices of a TV channel/bouquet offered by a broadcaster to a DTH operator, if the channel/bouquet is packaged as a part of a basic package, or as a part of add-on-package or both by a DTH operator? Please elaborate your comments with appropriate reasoning.**

### **Our Reply :**

In our opinion **for the time being the whole sale price for the DTH Platform should be the existing 50% of cable price and upto cable price in case the channels are being distributed in other manner.** However both the parties should be allowed to mutually decide the further discount one wants to offer to other. Once the addressable system is established and there is sufficient competition the price for all delivery system should be the same and be dependent upon market forces.

It is further suggested that the above discount may be sufficient to meet the operative and regulatory cost including of taxes. We further suggest that in case the channels are sold as add on package the MRP should be either fixed up by the mutual consent of both the parties and incase the MRP is not fixed mutually the MRP may be fixed up between 40% of whole sale price (considering 30% as stated in the Inter connect Regulation and 10% for other DTH Specific cost).

Fixation of MRP by the broadcasters will bring uniformity in the pricing across all DTH Platforms and will not creating confusion and differentiation among subscribers. As in all other industries the MRP is fixed by the manufacturer and not by the Dealers or Distributors. Same way the MRP of the channels should be decided by the Broadcasters or the same should be fixed up the margin suggested by the Authority. Else this will bring confusion and non parity as one Platform selling the same channels at different price.

### **A-la-carte Provisioning of TV Channels to DTH Subscribers**

**4.1.5 Why should not a DTH operator extend *a-la-carte* mode of service provisioning of a TV channel at the level of subscriber?**

**4.1.6 Can the DTH operator offer a-la-carte option as one of the entry level options for subscribers?**

**4.1.7 If the DTH operators are required to make available the channels on *a-la-carte* basis to the subscriber, then what could be the minimum number of channels and/or minimum subscription price and/or minimum subscription period for subscribing to the channels? Please elaborate your comments with appropriate reasoning**

**4.1.8 In case of *a-la-carte* provision to the subscribers, should there be a maximum permitted time frame for servicing request of a DTH subscriber? If so what should be such time frame? Please elaborate your comments with appropriate reasoning.**

**4.1.9 In case of *a-la-carte* offering of any TV channel by a DTH operator, whether there is a need to identify relationship between wholesale and retail price of that channel? Please elaborate your comments with appropriate reasoning.**

### **OUR REPLY :**

As stated above that the DTH Operators are forming the bouquet as per their own wish and commercial benefit without considering the interest of the Consumers and broadcasters and thereby the purpose for forming the bouquet is defeated.

The DTH Operator should treat all the channels equally and in non discriminatory manner. Since there is no regulation to protect the interest of the Broadcasters against discrimination; a few (new and /or Small) broadcasters are being treated discriminated by the DTH Operators with respect to packaging and pricing.

We are of the view that the DTH Operators should offer the channels in a-la-carte mode and the options should be given to the Subscribers which channel/package it wants to subscribe and there should not be any compulsory bouquet along with the STB. The channels should also be available on a-la-carte mode. The relation between the a-la-carte price and bouquet should be based upon the existing formula suggested by the Authority.

Creating packages by the DTH Operators and particularly the concept of basic package do not offer flexibility to Subscribers to pick the channels of their choice, and unwanted channels are forced on them, which defeats the purpose of consumer choice and will be against the principal of fair packaging and fair pricing.

However considering the DTH Operation cost; it is suggested that the minimum number of two channels from each of the genres (GEC, Movie, Sports, Kids & News ) to be subscribed for a period of one year by the subscribers. This will facilitate to cover the operational cost of the DTH Operators and in case the channels are subscribed for lesser period the pricing of the same should be higher than the annual subscription.

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