RESPONSE of Ortel Communications Ltd on Consultation Paper on "ISSUES RELATED TO IMPLEMENTATION OF DIGITAL ADDRESSABLE CABLE TV SYSTEMS" Dtd 22nd December 2011.

ISSUES no 1 & 2 in Chapter I (1.23) :

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?

RESPONSE TO Issues No 1 and 2 in Chapter I (1.23):

It is our suggestion that the BST tier is not regulated on either of the two issues, i.e. its composition and tariff. The reason that we suggest this course of action is owing to the large variations in the consumer choice across States and regions of our country. We suggest that the decision to decide the number of channels, the genres included, minimum number of channel per genre etc would be best decided by each operator on the basis of the demand by the customers in each city/town/village and will get best regulated by the competitive forces. Today, the cable TV services are not the monopoly of any one operator in any area given the headway made by DTH apart from the fact that there are usually multiple LCOs / MSOs that operate in any areas.

However, if the majority view is supportive of the proposal, then we suggest that the number of channels in BST is fixed as minimum 30 (Thirty) in number as is the current practice. As argued above, each operator will then decide the actual *number of channels to be offered taking into account the choice and demand of customers in their respective markets and the competitive intensity.*

ISSUE No. 3 in Chapter I (1.23):.

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?

RESPONSE to Issue No 3 in Chapter I (1.23):

The incremental cost of hardware involved in offering digital transmission (cost of box, digital headend & network upgrade + interest cost) is approximately Rs 3200/- per subscriber. If this amount is apportionate for four years for box and 8 years for other hardware, then the cost per subscriber works out to approximately Rs 62/-. Besides this, the operating expenses for an operator like us work out to Rs 100/- per month. While it is not fair to load these operating expenses on to the BST subscribers equally as the subscribers of higher priced packs, but the minimum pricing for the BST will still need to be kept at Rs 100/- excluding taxes so as to help the operators recover the cost of the incremental capex plus part of the overhead expenses. Additionally, it is suggested that subscription to the BST is mandated so as to help the operators recover the cost of the incremental capex incurred.

The price recommended for the BST is suggested to be kept uniform across all cities, State and territories across the Country.

ISSUE No 4 in Chapter I (1.23):

4. 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?

RESPONSE to Issue No. 4 in Chapter I (1.23):

The ala-carte rate of FTA channels is suggested at Rs 3.50 pm per channel including all taxes. This is derived by dividing Rs 100 by 30 channels. This would make the pricing transparent for customers and can be made applicable across the country.

ISSUES ON TARIFF (Chapter II)

ISSUE No. 5

5. 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?

(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?

(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?

(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?

(d) Any other method you may like to suggest?

RESPONSE to Issue No.5. (Chapter II)

Given that the number of market players offering such a service are multiple, hence it is suggested that the fixing of retail tariff / prices is left open to the market forces. Such an arrangement has worked well in case of the DTH industry, as also acknowledged by TRAI, and there is no reason to believe that the same will not happen in case of the cable tv operators. As explained earlier, the choice of operators / platforms to a customer is aplenty in today's context and hence no single operator can take the liberty of operating in a monopolistic or anti-

consumer interest. Hence, it is strongly suggested that forbearance is allowed in fixing of retail tariffs.

ISSUE NO 6 to 8 (Chapter III)

RESPONSE on Issue relating to Interconnection, must Carry, carriage Fee in the Digital Addressable Cable TV Systems

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

7. 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?

8. 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?

No Comments.

ISSUE NO 9

9. Should the 'must carry' provision be mandated for the MSOs, operating in the DAS areas?

10. 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'?

11. 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 nondiscriminatory terms to the broadcasters?

RESPONSE to Issues 9 to 11:

We do not agree with the 'Must Carry' provision for the MSOs in light of the following reasons:

i. *As per TRAI's estimate, there are about 800 channels operating in India currently and several others are in pipeline. Should the must carry provision be made mandatory, then each MSO will be forced to accommodate every new channel that will request to be carried by a MSO. Given that there will be limited channel capacity (spectrum) available with each MSO, this will get consumed within the next 2 to 3 years.*

ii. *Carrying more channels will require outlay of additional capex by MSOs which will need to be compensated by levying of additional charges to the subscribers. Soon the customers will start protesting against such price increases as they may not be interested in such additional channels.*

Hence, it is felt by us that the "Must Carry" provision will be impractical to implement given that it is closely linked to the channel carrying capacity of the cable TV networks even in a DAS regime and to the paying capacity of the subscribers.

ISSUES No 12 to 14.

12. Should the carriage fee be regulated for the digital addressable cable TV systems in India? If yes, how should it be regulated?

13. 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?

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

RESPONSE to No 12 to 14;

Carriage Fee is a market driven phenomenon that helps in the assignment of channel capacity and therefore serves a useful purpose. Even in the DAS scenario, the channel capacity will continue to be a limited resource and the MSO/Cable Operator will not be able to recover the additional incremental capex incurred for *each such new channel added from its subscribers. Therefore it is suggested that the TRAI continue to maintain its stand as enunciated in its clause 3.2.6 at page 27 of the consultation.*

ISSUE NO 15.

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?

RESPONSE to Issue No 15

Yes TRAI should prescribe a standard interconnection agreement on the lines as given in The Telecommunications (Broadcasting and Cable Services) Interconnect (second amendment) Regulation 2006" dated 24th Aug 2006. This regulation is quite exhaustive and it has given detailed procedure on the subscription collection and sharing. Guide lines on invoice and billing is exhaustive, however, it is suggested that this regulation should be read in conjunction with the TRAI Inter Connect Regulation 2009, dated 17 March 2009.
The 2009 regulation has detailed procedure on Subscriber Management System(SMS) and method to generate bill to broadcasters on the basis of bouquet and genre given to customers.

ISSUES on Quality of Service Chapter –IV

4.9 **ISSUES No 16 & 17**
16. 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 alongwith detailed justifications.

17. Please specify any other norms/parameters you may like to add with the requisite justifications and proposed benchmarks.

RESPONSE to Issues 16 and 17

Yes we agree with the norms proposed for the QOS and redressal of consumer grievances for the digital addressable cable TV systems.

We would like to add the following additional norms as laid vide THE STANDARDS OF QUALITY OF SERVICE (BROADCASTING AND CABLE SERVICES) (CABLE TELEVISION – NON-CAS AREAS) REGULATIONS, 2009(NO. 01 OF 2009), TELECOM REGULATORY AUTHORITY OF INDIA NOTIFICATION New Delhi, the 24th February, 2009, Chapter VII, Para 18. This is primarily Technical Standards as to Quality of Signals which is reproduced herein :-

18. (1) Every cable operator or multi system operator, as the case may be, shall maintain such technical standards of signals in its entire cable television network as may, from time to time, be published by the Bureau of Indian Standards in accordance with the provisions of the Bureau of Indian Standards Act, 1986 (63 of 1986) for cable television networks.

(2) Without prejudice to the foregoing provisions, all cable operators and multi system operators shall, in their networks, also ensure compliance with BIS Standard IS – 13420, Part I (Revised), or any other standard as may, from time to time, be specified by the Bureau of Indian Standards in accordance with the provisions of the Bureau of Indian Standards Act, 1986 (63 of 1986) relating to system performance in cable television networks and shall further ensure quality of signals at the end of the cable subscriber's premises fulfilling the following minimum requirements, namely:-

(i) C/N > 44 dB

(ii) Minimum Carrier level 60 dB(μV)

(iii) Maximum Carrier level 80 dB(μV)

(iv) Slope < 12 dB

(v) X-Mod > 57 dB

(vi) CSO > 57 dB ;

Provided that, as and when the Bureau of Indian Standards specifies any other technical standards in accordance with the provisions of the Bureau of Indian Standards Act, 1986 (63 of 1986) as to the quality of signals at the end of the subscriber's premises in cable television networks, the minimum requirements as to quality of signals at the end of the subscriber's premises as specified in this sub-regulation shall no longer be applicable.

Explanation. - For the purpose of this sub-regulation, --

(i) "C/N" means Carrier to Noise ratio;

(ii) "CSO" means Composite Second Order Interference;

(iii) "X-Mod" means cross modulation; and

(iv) "Slope" is caused by 'SKIN EFFECT', wherein signal attenuation increases with frequency of the channel.

4.15 **ISSUES No 18 & 19**

18. 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?
19. 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.

RESPONSE to Issue No 18 & 19

In the scenario of MSOs and LCOs, the MSOs provide the feed signal to LCOs who, in turn, run the last mile distribution in their respective areas. Hence, it is suggested that the entity that does the last mile distribution should have the onus of ensuring the Quality of Service norms to its customers.

The MSOs should be required to ensure that the QoS standards are adhered to as far as providing the service to the LCOs is concerned. The LCOs will need to ensure the standards of QoS to the consumers with respect to the connection, disconnection, transfer, shifting, handling of complaints relating to no signal, set top box, billing etc. and redressal of consumer grievances. In Digital Addressable System (DAS), environment, as Subscriber Management System(SMS) and Conditional Access System is located at the Digital Headend managed by MSO, the onus should lie with the MSOs to generate the bills as per services availed by a customer. The MSOs will manage and control the consumer details and generate the bills and handover same to the LCOs for final distribution and collection.

4.19 ISSUES No 20:

Should pre-paid billing option be introduced in DAS. Please justify your answer.

RESPONSE to Issue No 20

While prepaid billing system in cellular and DTH services has worked well and proved beneficial for both customers and companies involved, however it may not be easy to implement this in the Cable TV business owing to legacy issues where the customers have become habituated to post paid billing and collection being made at their door step. Hence it is suggested that the option for opting to either of these two billing systems is left to the discretion of the individual operators.

ISSUES No 21 to 24 (Miscellaneous Issues Chapter V)

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

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

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

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

RESPONSE to No 21 to 24

Ad-free channels, once launched, will have to depend solely on the subscription revenue, and therefore, will require a regulatory atmosphere without any tariff cap, as currently practiced for paid channels in the country. In the US, ad-free channels like HBO and its variants are very expensive and cost around $80 (around Rs 400 per month), nearly double the average revenue per users for the entire cable industry currently. It is not viable in the present market scenario. The present regulation of imposition of ceiling on advertisement takes care of this issue.

5.10 ISSUES No 25

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

Response on Issue No 25:

Providing non-addressable set top box is akin to analog transmission due to the following reasons :-

(a) There is no standard laid on this either by TRAI or BIS.
(b) Since CAS server will not be used it would difficult to address the set top box and to send messages.
(c) In the absence of CAS server it would not be possible to develop and use SMS for billing, management and control as laid down vide Schedule IV of TRAI Regulation 2009, dated 17 March 2009.
(d) Since it would be difficult to know consumer details and their interest of Channels, it would not possible to do billing broadcasterwise.

5.14 ISSUE No 26: (on Reference Point for Whole sale price)

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? Please elaborate with details.

RESPONSE to Issue No 26

It would have no effect in view of the fact that by then the prevailing wholesale channel rates in DAS would be treated as independent tariff in DAS area. Further as the current endeavour is for fixation of tariff on realistic basis instead of the earlier reliance on ceiling which was fixed as an interim measure would set the price mechanism in place and would remove all anomaly. The rates fixed for DAS also thus become the realistic value and govern all.

ISSUE no 27:
Any other relevant issue that you may like to raise or comment upon.

No.