



Shri Arvind Kumar, Advisor (B&CS),
Telecom Regulatory Authority of India

Dear Sir,

This is in response to Consultation Paper released by the Telecom Regulatory Authority of India ("the Authority") on *Tariff related issues for Broadcasting and Cable services* dated 16th August, 2019 ("the CP").

Kindly find enclosed hereby our comments on the issues for consultation.

Regards,

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ISSUES FOR CONSULTATION

Q1. Do you agree that flexibility available to broadcasters to give discount on sum of a-la-carte channels forming part of bouquets has been misused to push their channels to consumers? Please suggest remedial measures.

A1: Since there is no cap on discounts offered on broadcaster bouquets, Broadcasters have naturally continued to offer huge discounts on bouquets. It must be appreciated that it is in the business interest of a broadcaster if more subscribers subscribe to their bouquets containing both driver and non-driver channels, as it maximizes advertising revenues and incentivizes producers to invest in fresh and experimental content.

Be that as it may, it is essential that such flexibility given to the broadcasters is not left unbridled, as is the case currently.

One of the remedial measures could be the imposition of a cap on the discounts offered by the Broadcasters as initially envisaged by the Authority. However, it does not ensure that non-driver channels are not eventually pushed in excess to the consumers by the broadcasters, undermining consumer choice.

Remedial measures:

1. Bouquet formation as a prerogative of DPOs alone

As mentioned in the CP, when the Authority gave flexibility to Broadcasters to declare prices of its channels and bouquets of such channels, the Authority expected that the Broadcasters will consider requirements of consumers and make bouquets of those channels which are demanded by the subscribers. However, as has been noted by the Authority in the CP, the formation of bouquets by Broadcasters is not based on consumer demands and is purely driven by the motive of earning higher revenues, at the cost of consumer choice.

Whereas, on the other hand, it is in the interest of the DPOs to offer channels in the manner as preferred by their subscribers at large, and not push unwanted channels to their subscribers. In order to provide better quality of services in competition to their rivals, DPOs would strive to offer such combinations of channels as demanded by their subscribers.

The observations of the Authority in this context, post the implementation of the present regime, cannot be considered to be conclusive, as DPOs were compelled to formulate packages/bouquets based on the bouquets offered by the Broadcasters. The large number of bouquet formations by each Broadcaster resulted in more complexity for the DPOs to formulate their own bouquets of channels of various Broadcasters, and that too with the cap of 15% on discounts to be offered on such bouquets. Moreover, with the Broadcasters advertising their highly discounted bouquets on their respective TV channels, DPOs were left with no choice but to incorporate said bouquets in their own offerings. Resultantly, instead of the intended discount of approximately 30% on the bouquets of channels by the Authority, heavy discounts were passed on to the consumers, defeating the purpose of protecting a-la-carte choice.

It is therefore suggested hereby, that freedom and flexibility must be given to the **DPOs alone**, to formulate bouquets as per consumer demands, while broadcasters must be given flexibility to **declare only the a-la-carte rates** of their channels. In any situation, the formation of bouquets by broadcasters do not matter to a subscriber who doesn't even identify which channel belongs to which broadcaster. Moreover, such information is even unnecessary and unwarranted for a subscriber who just wants a combination of channels from various genres of interest, when each channel in such a combination may even belong to diverse broadcasters.

It is also humbly submitted that the viewership data obtained from Broadcast Audience Research Council (BARC) is based on a sample size of only 30,000 households, which is not an adequate sample size for 197 million homes who view TV channels in India. Based on such a small sample size, viewership of channels by consumers can only be notionally ascertained. In such a situation, it can be reasonably postulated that the demands of consumers are best known by the DPOs since they are in touch with their subscribers directly. Unlike Broadcasters, they are in a better position to ascertain the demands of their subscribers and therefore would offer channels in the manner as preferred by their subscribers at large.

Therefore, it is suggested that the flexibility given to Broadcasters may be restricted to declaration of only a-la-carte channels and formation of bouquets by Broadcaster which leads to pushing of unwanted channels may be completely eliminated.

2. **Put more restrictions on bouquet formation by Broadcasters:** Another remedial measure could be a plausible methodology to restrict bouquet formations by broadcaster as follows:

Bouquet Formation Rules for a Broadcaster	
Maximum Size	Size of the bouquet must not be more than 10 pay channels
Minimum Price	Price of the bouquet should not be less than the sum of prices of 50% of the top highest priced channels in the bouquet. Example: If size of bouquet is 10, then price of top 5 costliest channels should be the minimum price.
Price range	Price range for channels forming part of a bouquet must be fixed. Maximum a-la-carte price of a channel forming part of a bouquet should be capped at 60% of the highest price channel in the bouquet. For example, if cost of highest priced channel in a bouquet is Rs.15 then cost of lowest priced channel should not be less than (15 - 60% of 15), i.e. 15-9 = Rs.6.

A few examples of probable bouquet formations by broadcasters are given herein below, applying the above-mentioned rules:

Example 1			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	2	19	38
Semi Driver Channels	5	12	60
Non-Driver Channels	3	7.6	22.8
Total			120.8
Minimum Price of the bouquet			74
Price range			7.6 to 19
Maximum discount that can be offered by broadcasters			39%

Example 4			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	0	0	0
Semi Driver Channels	6	5	30
Non-Driver Channels	4	3	12
Total			42
Minimum Price of the bouquet			25
Price range			3 to 5
Maximum discount			40%

Example 2			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	2	15	30
Semi Driver Channels	5	7	35
Non-Driver Channels	3	6	18
Total			83
Minimum Price of the bouquet			51
Price range			6 to 15
Maximum discount that can be offered by broadcasters			39%

Example 5			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	4	15	60
Semi Driver Channels	4	7	28
Non-Driver Channels	2	6	12
Total			100
Minimum Price of the bouquet			67
Price range			6 to 15
Maximum discount that can be offered by broadcasters			33%

Example 3			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	4	12	48
Semi Driver Channels	6	4.8	28.8
Non-Driver Channels	0	0	0
Total			76.8
Minimum Price of the bouquet			52.8
Price range			4.8 to 12
Maximum discount			31%

Example 6			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	3	15	45
Semi Driver Channels	6	7	42
Non-Driver Channels	1	6	6
Total			93
Minimum Price of the bouquet			59
Price range			6 to 15
Maximum discount that can be offered by broadcasters			37%

Example 7			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	0	0	0
Semi Driver Channels	8	7	56
Non-Driver Channels	0	0	0
Total			56
Minimum Price of the bouquet			28
Price range			7
Maximum discount that can be offered by broadcasters			50%

Example 8			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	0	0	0
Semi Driver Channels	4	6	24
Non-Driver Channels	6	2.4	14.4
Total			38.4
Minimum Price of the bouquet			26.4
Price range			2.4 to 6
Maximum discount that can be offered by broadcasters			31%

Example 9			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	3	15	45
Semi Driver Channels	3	7	21
Non-Driver Channels	0	0	0
Total			66
Minimum Price of the bouquet			45
Price range			7 to 15
Maximum discount that can be offered by broadcasters			32%

Example 10			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	1	15	15
Semi Driver Channels	7	7	49
Non-Driver Channels	2	6	12
Total			76
Minimum Price of the bouquet			43
Price range			6 to 15
Maximum discount that can be offered by broadcasters			43%

Example 11			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	0	0	0
Semi Driver Channels	0	0	0
Non-Driver Channels	8	15	12
Total			12
Minimum Price of the bouquet			6
Price range			1.5
Maximum discount that can be offered by broadcasters			50%

Example 12			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	0	0	0
Semi Driver Channels	4	3	12
Non-Driver Channels	6	1.2	7.2
Total			19.2
Minimum Price of the bouquet			13.2
Price range			1.2 to 3
Maximum discount that can be offered by broadcasters			31%

Example 13			
Type of Channels	Number of Channels	Avg Cost per channel	Total Price
Driver Channels	2	12	24
Semi Driver Channels	3	4.8	14.4
Non-Driver Channels	0	0	0
Total			38.4
Minimum Price of the bouquet			26.4
Price range			4.8 to 12
Maximum discount that can be offered by broadcasters			31%

The following purposes are achieved by the above-mentioned methodology.

1. A minimum price methodology based on sum of highest priced channels in a bouquet would ensure restriction to the quantum of discounts that can be offered by the Broadcasters. Moreover, this methodology is reasonable in the sense that price of the bouquet would be at-least as much as price of the highest priced channels in the bouquet. It would further also ensure that artificial inflation of prices of the a-la-carte channel stops, since price of a-la-carte channel has direct relationship with the price of the bouquet.
2. Imposing restriction on price range would ensure that channels with more or less similar quality and prices are clubbed together in a bouquet thereby resulting in
 - (a) limited number of bouquets offered by broadcasters,
 - (b) better composition of bouquets in terms of demand and
 - (c) elimination of skewed pricing structure of a bouquet, as is seen currently, with the price of driver channel in a bouquet being Rs. 19 and non-driver channel in the same bouquet being priced at Rs.0.12, for instance.

Q2. Do you feel that some broadcasters by indulging in heavy discounting of bouquets by taking advantage of non-implementation of 15% cap on discount, have created a non-level field vis-a-vis other broadcasters?

A2: The answer to whether heavy discounting of bouquets by certain broadcasters lead to creation of a non-level playing field for other broadcasters is inconclusive with any reliable data. It cannot be judiciously concluded that strategies of certain broadcasters to convert their FTA channels to pay channels or vice versa is attributable to some broadcasters indulging in heavy discounting of bouquets.

Q3. Is there a need to reintroduce a cap on discount on sum of a-la-carte channels forming part of bouquets while forming bouquets by broadcasters? If so, what should be appropriate methodology to work out the permissible discount? What should be value of such discount?

A3: To begin with, we would like to revisit the 15% cap on discounts on broadcaster bouquets, as originally prescribed by the Authority. The Authority prescribed, in the Tariff Order 2017, a maximum discount of 15% to be offered by broadcasters at wholesale level and further a maximum of 15% to be provided by distributors at the retail level. The net effect to subscribers at the retail level would have been a discount of approximately 30% on the bouquets of channels. However, owing to the decision of Hon'ble Madras High Court, the Authority implemented the present Regulatory framework without any cap on discounts on bouquets being offered by the broadcasters of their channels, while retaining the cap of 15% discount on bouquets of channels being offered by the DPOs. Therefore, **although not intended, under the present regime, there seems an immense disparity between flexibility given to broadcasters and MSOs for formation of bouquets, with broadcasters been given 100% flexibility.** Resultantly, the intended maximum of 30% discount on bouquets was overhauled by unlimited discounts by broadcasters.

In light of the above, indeed there is a need to impose a cap on discounts being offered by broadcasters in bouquets, to remove the disparity between flexibility given to broadcasters and MSOs for formation of bouquets. However, whether the cap of 15% as originally prescribed must be reintroduced needs to be reviewed by revisiting the methodology.

The relevant portion from para 66 of Explanatory Memorandum to the Tariff Order, 2017, wherein the Authority has provided an example, is reproduced herein below:

Table 1: a-la-carte vs. Bouquet prices

Channel	Discount 75%	Discount 60%	Discount 45%	Discount 30%	Discount 15%
Channel 1 a-la-carte price	19	19	19	19	19
Channel 2 a-la-carte price	10	10	10	10	10
Channel 3 a-la-carte price	12	12	12	12	12
Channel 4 a-la-carte price	5	5	5	5	5
Channel 5 a-la-carte price	4	4	4	4	4
Sum of a-la-carte prices of 5 driver pay channels	50	50	50	50	50
Sum of a-la-carte prices of 30 non-driver pay channels (@ Re 1)	30	30	30	30	30
Total price of 35 a-la-carte pay channels	80	80	80	80	80
Price of bouquet of 35 pay channels (with discount on sum of a-la-carte prices)	20	32	44	56	68

“The above table clearly indicates that in case the amount of discount offered by the broadcaster, over the sum of a-la-carte prices of pay channels, while forming the bouquet of those pay channels is very high (75%), the price of bouquet becomes much lower than the sum of a-la-carte prices to the extent that it is almost equal to a-la-carte price of one driver channel. Such amount of discount is anti-customer/subscriber as it discourages a-la-carte selection of channels. As the amount of discount on formation of bouquet decreases, the difference between the prices of bouquet and the sum of a-la-carte prices also decreases.

*In case the amount of discount is fixed at 15%, the price of bouquet becomes higher than the sum of a-la-carte prices of driver channels; **thereby encouraging a subscriber to choose a-la-carte channels of his choice.**”*

While working the methodology the Authority has emphasized on encouraging a subscriber to choose a-la-carte channels over bouquet by making bouquets less attractive. However it is submitted that the objective should be **to enable** a subscriber to choose a-la-carte channels of his choice, **rather than encouraging** him to choose a-la-carte channels over bouquet(s) of channels. The premise on which the Authority’s methodology is based, needs to be altered.

It must be appreciated that it is not only the broadcasters who benefit from bouquet offerings, most subscribers also stand to gain more from bouquets than from a-la-carte

choice of channels. The notion that subscribers will benefit from a-la-carte selection of channels more than bouquet selection is also not entirely true as a general norm. The debate about bouquet versus a-la-carte way of offering channels to subscribers is unsettled, due to lack of verifiable data on a-la-carte focused industry actually succeeding in practice what it preaches in theory. Therefore, the value of bouquets must not be diminished just yet, more so in a country like India which is diverse and complicated in terms of its viewership preferences. When it comes to ascertaining viewership patterns, one can say that in India a subscriber means an entire household of completely distinct viewers who would have distinct preferences (argued in more detail at A12 herein).

Be that as it may, the concerns of the Authority with regard to the current pattern of bouquet formation by broadcasters, need to be addressed. Here, it is important to note that broadcasters are able to offer huge discounts due to the following key components:

- 1) By artificial inflation of a-la-carte prices
- 2) By offering more channels in a bouquet which leads to additional advertisement revenues.

In order to retain the value of bouquets, the key focus for price regulations should be to ensure that the a-la-carte prices of channels are not be priced too high by the broadcasters, instead of preventing pushing of non-driver channels with driver channels in a bouquet. As long as a-la-carte prices are reasonable for a subscriber who wants to choose only specific channels, it will outweigh the inconvenience, if any, to subscribers opting bouquet offerings with a combination of driver and non-driver channels.

As a remedial measure, reference is placed to para 2 in A1 hereinabove, wherein Bouquet Formation Rules for a Broadcaster have been suggested.

Q4. Is there a need to review the cap on discount permissible to DPOs while forming the bouquet? If so, what should be appropriate methodology to work out the permissible discount? What should be value of such discount?

A4. More flexibility needs to be given to DPOs in formation of bouquets as per the subscriber needs. It is important to understand that unlike broadcasters, major source of revenue for DPOs is subscription revenue.

Hence, keeping this in mind it is only reasonable to provide greater flexibility to DPOs to ensure that they have enough room to provide customer satisfaction and earn at-least normal profits.

Q5. What other measures may be taken to ensure that unwanted channels are not pushed to the consumers?

A5: At the outset, we would like to emphasize that it is practically impossible to ascertain which channels are wanted or unwanted by subscribers at large, in a country with such varied demographics, cultural diversity and language preferences. Accordingly, channels which might be preferred by one viewership group might not be preferred by another and vice-versa.

As also mentioned herein above, it would be more prudent if the broadcasters are not given the privilege to form bouquets of their channels in the first place. The implementation of the 2017 Interconnect Regulations has brought a structural change in the way the broadcasting and cable industry operates, and as such there is no need for the broadcasters to formulate any bouquets of their channels under the new regime.

Earlier, broadcasters used to offer their channels to DPOs for distribution in the form of bouquets with the primary intention of piggy-backing non-driver channels on driver channels. Broadcasters offered discounts to DPOs on subscription costs on the condition that their channels are offered to the subscribers in the manner as desired by the broadcaster, further ensuring that the non-driver channels are pushed to the consumers. Therefore, the DPOs were constrained to formulate bouquets being offered to their subscribers, within the terms and conditions set out by the broadcasters. Remaining behind the curtain, Broadcasters' purpose of pushing their non-driver channels to consumers was achieved by pushing it through the DPOs.

Now, under the new regime, broadcasters have been forced to pre-determine the price of their bouquets (which was varied for each DPO in the earlier regime depending on the negotiations) and declare the same to the public. With this sudden change in the logistics, Broadcasters' desire to push their non-driver channels however did not change, as their advertisement revenues will be adversely affected due to non-selection of such channels by consumers. Naturally the best option for broadcasters was to ensure that every bouquet formulated by them consisted such non-driver channels clubbed with popular channels. Resultantly, consumers have been bombarded with large number of bouquets from each and every broadcaster. DPOs as well are compelled to include broadcaster bouquets in their offering of bouquets as subscribers identify them from the widely advertised bouquets by their respective broadcaster. DPOs are yet again constrained to pass on the non-driver channels which are piggy-backed by the broadcasters with their driver channels.

As also mentioned in the comment on Q1, the formation of bouquets by broadcasters do not matter to a subscriber who doesn't even identify which channel belongs to which broadcaster. Moreover, such information is even unnecessary and unwarranted for a subscriber who just wants a combination of channels from various genres of interest, when each channel in such a combination may even belong to distinct broadcasters.

Q6. Do you think the number of bouquets being offered by broadcasters and DPOs to subscribers is too large? If so, should the limit on number of bouquets be prescribed on the basis of state, region, target market?

A6. Indeed the number of bouquets being offered by broadcasters and DPOs to subscribers at present is too large. A limit on number of bouquets must not be prescribed on the basis of state, region or target market as it would limit the choice of viewers and will also make it difficult for DPOs like DTH players which have a PAN India operation and do not have a region-based offering. Reference is hereby given to the pricing methodology suggested in A1 which shall be able to significantly reduce the number of bouquets per broadcaster. Imposition of additional rules in formation of bouquets will reduce the number of permutations and combinations in bundling of channels.

Q7. What should be the methodology to limit number of bouquets which can be offered by broadcasters and DPOs?

A7. Reference is hereby given to the pricing methodology suggested in A1 above.

Q8. Do you agree that price of individual channels in a bouquet get hedged while opting for a bouquet by subscribers? If so, what corrective measures do you suggest?

A8. No comments.

Q9. Does the ceiling of Rs. 19/- on MRP of a a-la-carte channel to be part of a bouquet need to be reviewed? If so, what should be the ceiling for the same and why?

A9. There is per se no need to review the ceiling of Rs.19/- on MRP of a a-la-carte channel, as it is not likely to solve any of the problems related to pricing that we are witnessing currently.

Q10. How well the consumer interests have been served by the provisions in the new regime which allows the Broadcasters/Distributors to offer bouquets to the subscribers?

A10. Consumer interests in terms of the provisions in relation to bouquet formation can be summarized as below:

1. Freedom to choose channels on a-la-carte basis as well as bouquets
2. Better composition of bouquets
3. Convenience in selection of channels/bouquets to be subscribed
4. Cost reduction / Cost effectiveness

Subscribers were free to choose channels on a-la-carte basis as well as in the form of bouquets even in the earlier regime. However in the earlier regime the a-la-carte prices were not as widely advertised nor were they reasonable enough to be cost effective in comparison to bouquets. However, based on a randomly selected sample of 10 households in Ahmedabad, it is observed that under the new regime, subscribers have selected a combination of one or two or more bouquets and additionally some a-la-carte channels of their choice. It is important to note that mostly all of these subscribers have selected DPO bouquets instead of broadcaster bouquets (despite the nation-wide advertising). It has also been noted that instead of a reduction in subscription costs there has been an overall increase in the same, across all DPO platforms.

Subscription cost per household has increased significantly, especially for subscribers of Multi-system Operators. Earlier subscription costs of a subscriber of a Multi-system Operator used to be much lesser than a subscriber of a DTH Player owing to the market forces at play. However under the new regime, the subscription costs of a MSO subscriber with their selection of desired channels has shot-up and so has a DTH subscriber's subscription cost. This has not only reduced price competitiveness among MSOs and DTH players, it has also increased subscription costs of subscribers at large, who want to continue without compromising on their selection of channels.

It therefore seems that the new regime has failed to serve consumer interests as stated above.

It needs to be highlighted that the role of a DPO has been highly undermined under the new regime. Under the new regime, the balance of power has been shifted towards the broadcasters, although unintentionally, at the expense of consumers and DPOs. The restriction on DPOs to provide a maximum of 15% discount in their offerings to their subscribers does not

Q11. How this provision has affected the ability and freedom of the subscribers to choose TV channels of their choice?

A11. As has been stated above at A10, Subscribers across all platforms have ended up receiving either lesser channels than they desire, or have ended up paying more than they used to pay earlier, and in some cases, even both.

Q12. Do you feel the provision permitting the broadcasters/Distributors to offer bouquets to subscribers be reviewed and how will that impact subscriber choice?

A12. While commenting on this question, it is herein presumed that ‘to review the provision permitting the broadcasters/distributors to offer bouquets’ means to disallow offering of channels in the form of bouquets to the subscribers. With that presumption, we would like to submit that subscribers stand to gain more from bouquets than from a-la-carte choice, and the value of bouquets must not be diminished.

The premise of not permitting broadcasters/distributors to offer bouquets to subscribers is based on the assumption that the consumer would be better off without the bouquets, as he will pay only for the channels he likes and wants to view, and he will pay far less. This is a persuasive argument to a person *prima facie*, but is a misguided one.¹

It must be noted that in an average household, there are distinct viewer groups with different preferences, especially in an average Indian household, where the probability of their children and grandchildren living with the couple is higher. Let’s look at the value of bundling versus a-la-carte with an example: four channels of a broadcaster, four types of users:

Type of Viewer/Utility Value From Each Channel	Utility Value from Zee TV	Utility Value from Living Foodz	Value from Zee Café	Value from WION	Value from Bouquet
Soap Opera watcher	₹ 19	₹ 2	₹ 2	₹ 2	₹ 25
Foodie	₹ 2	₹ 19	₹ 2	₹ 2	₹ 25
Sitcom watcher	₹ 2	₹ 2	₹ 19	₹ 2	₹ 25
News watcher	₹ 2	₹ 2	₹ 2	₹ 19	₹ 25

¹ Anand, Bharat. The Content Trap: A Strategist’s Guide to Digital Change. Random House Publishing Group (2016)

The status quo is that a subscriber can opt for a bouquet of these channels for viewership at his household with these four distinct types of viewership, at ₹ 25 – just enough to get each viewer to purchase all four channels. Each channel would receive 6.25 rupees per viewer to compensate for the share of total viewership that it gets.

Now let's examine what a-la-carte would look like. On the face of it, it will not make any difference for the above-mentioned household, and for another viewer they'd be better off since each viewer would purchase only their favorite in that case – paying less for what they actually want. Except that the channels wouldn't be priced at 6.25 rupees each, their 'average price' when bundled; they'd cost ₹ 19 or ₹ 10. This is because, if channels are offered on a-la-carte basis alone, the broadcasters would be pricing the channels only to attract their most loyal viewers. Even if two channels are selected for subscription, the total cost could reach to ₹29, which is even more than the price of bouquet. Let's assume that the channels are priced as low as 4 and 15, even in such a case the total cost would be ₹ 19, which is only about 24% percent less than the cost of bouquet, and with only half the channels.

It is argued that by forcing us to purchase channels we don't want, some channels are being subsidized in a bouquet, but not otherwise. It must be appreciated however that which channel is perceived as the 'subsidy' differs across viewers. For instance, in the above-mentioned example, Zee TV would be considered as subsidized by a Sitcom watcher/Foodie/News watcher, while Zee Café would be considered subsidized by a Soap Opera watcher/Foodie/News watcher and so on. It can be concluded that viewer references or viewing patterns are difficult to ascertain in reality, which makes it more difficult for broadcasters to price their channels, on a-la-carte basis, most effectively.

One may say that channel preferences by viewers can be based on the data provided by BARC, which analyzes what content is being watched by viewers, when and for how long. However, as also mentioned on A1, BARC data is based on a sample size of only 30,000 to 40,000 households, which is not an adequate sample size for 197 million homes who view TV channels in India. Moreover, the data of viewership released by BARC **does not indicate viewership pattern of a household**, as it is based on variables like urban, rural and age of the viewers.

Moreover, content viewing is more complicated than that. BARC data can only analyze the viewer's current and existing viewing patterns. But what about a potential content which might interest a viewer? It's like providing free samples of a product to all customers in the store, regardless of whether they purchase something. The purpose is to encourage customers to buy products they may not have considered before. Similarly, a subscriber would not be get a chance to see what content is available for viewing, unless he gets to have a look at it while scrolling through the channels.

It is therefore in the interest of all stakeholders to continue with bundling of channels in a bouquet. In an a-la-carte world, subscribers will have to limit their choices to only the most favorite channels according to their budget and refrain from selecting lesser favorite channels, which otherwise could have been cost-effective if bundling was possible. It also prevents a subscriber from getting access to a potentially interesting content due to non-availability of selection. In the long run this also discourages a broadcaster to risk their money in producing new content.

Concern of the Authority is correct to the extent that bundling of channels compromises consumer choice at the first instant when a non-driver/unwarranted channel is pushed to the consumer for viewing. However, if one looks at the long-term value of such a push, it will be noticed that it leads to a healthy growth in the quality of content being made available to a consumer. It needs to be appreciated that such piggy-backing of channel helps new content to survive for a while, until it can be ascertained whether it has the potential to garner viewers. No broadcaster would want to push such channels for very long, as pushing the survival of unprofitable and unpopular channels for long would not be financially viable. It therefore seems to be a reasonable strategy to piggyback such channels for the initial time till they are noticed by viewers. With growing competition from OTT platforms like Netflix, Hotstar, Amazon, etc. it has become even more difficult to establish a new channel or draw attention to new content.

As far as inconvenience of a subscriber is concerned due to bundling of channels, it is only limited to scrolling through a larger number of channels, which also is tackled by an effective EPG which makes navigation seamless. Further it is important to point out that at times availability of a more channels in a particular genre is preferred by a subscriber. For instance, if a subscriber wants to watch a movie, he would scroll through all the movie channels and see which movie is playing at that point of time. Here the channel does not matter to the subscriber as much as the content, which is identical for all the channels in that genre. Similarly, a subscriber does not care which music channel is playing his or her favorite song at a given point of time and therefore would like to have the variety of channels in a particular genre, rather than selecting one or two channels thereby limiting availability of content.

It is no secret that excessive regulation can weaken the industry or even kill it. Imposing heavy restrictions on key stakeholders would financially burden them, which would result in reduced willingness to take risks, resulting in adverse effect on the growth of the industry in the long run.

Q13. How whole process of selection of channels by consumers can be simplified to facilitate easy, informed choice?

A13. It must be emphasized that it's not just about the content and the channels; it is also the connectivity that subscriber's value —the platforms and network effects. DPOs are the first point of contacts for the subscribers in terms of what channels are available on the platform and in what manner. It therefore is in the interest of the DPO to facilitate their subscribers to make an easy and informed choice and must be left to them.

Q14. Should regulatory provisions enable discount in NCF and DRP for multiple TV in a home?

A14. No comment.

Q15. Is there a need to fix the cap on NCF for 2nd and subsequent TV connections in a home in multi-TV scenario? If yes, what should be the cap? Please provide your suggestions with justification.

A15. While DPOs have been allowed to charge 130 rupees as network capacity fee from the subscribers, it is not clear if the same is enough for their survival.

Moreover, when broadcasters have been given complete liberty to price their services (channels), it seems unfair to not give the same liberty to the DPOs who are also key stakeholders in the value chain.

For a 2nd and subsequent connection, instead of fixing a cap on NCF, subscriber must be allowed to choose different set of channels. The purpose of reducing subscription costs would be solved when different viewer groups within the same household would be able to opt distinct selection of channels. Nonetheless, each such Set Top Box is a distinct subscriber under the regulations, despite located in the same premises.

Q16. Whether broadcasters may also be allowed to offer different MRP for a multi-home TV connection? If yes, is it technically feasible for broadcaster to identify multi TV connection home?

A16. No comments.

Q17. Whether Distributors should be mandated to provide choice of channels for each TV separately in Multi TV connection home?

A17. Yes, as also mentioned at A15.

Q18. How should a long term subscription be defined?

A18. No comments.

Q19. Is there a need to allow DPO to offer discounts on Long term subscriptions? If yes, should it be limited to NCF only or it could be on DRP also? Should any cap be prescribed while giving discount on long term subscriptions?

A19. Providing discounts to customers for long-term associations, is a general sales promotion strategy across all businesses. Therefore, DPOs must definitely be allowed to offer such discounts to their most loyal subscribers. It is the DPOs who would be in a better position to clarify whether limiting it to only NCF, would be financially viable for them, in the light of other fixed costs to manage.

Q20. Whether Broadcasters also be allowed to offer discount on MRP for long term subscriptions?

A20. Since the broadcasters do not have any direct relationship with the viewers it does not make any economic sense to suggest discounts based on loyalties of a viewer, since the loyalties in terms of broadcaster would be difficult to ascertain. Long-term subscription of a subscriber most definitely would be to a DPO's service, rather than a particular channel or set of channels, as the subscriber does not recognize each and every broadcaster and the set of channels that they offer. When subscription is paid by a subscriber, it is paid to the DPO with the expectation that uninterrupted services are provided by the DPO during the entire subscription period.

Q21. Is the freedom of placement of channels on EPG available to DPOs being misused to ask for placement fees? If so, how this problem can be addressed particularly by regulating placement of channels on EPG?

A21. It is our understanding that EPG is a service provided by the DPO to its subscribers for ease of navigation and therefore they must be allowed to monetize on the same by seeking fees for placement of channels from the broadcasters. It has always been the case that channels are placed in such a manner that the most popular channels with highest viewership are at the top followed with the lesser popular channels. It has been observed that the placement of channels have changed according to their popularity with even new channels replacing some established ones. Therefore it does not seem to be a problem to be addressed, when subscribers get to see their most favorite channels in an easy line of sight. It does not seem to be a problem that needs any more regulation than what already exists.

Q22. How the channels should be listed in the Electronic Program Guide (EPG)?

A22. The Electronic Program Guide must be such that a subscriber is able to navigate to his choice of channel easily and also switch between channels without much hassle. Accordingly, to understand how the channels must be listed to achieve that objective, a graphical representation of the options is given below.

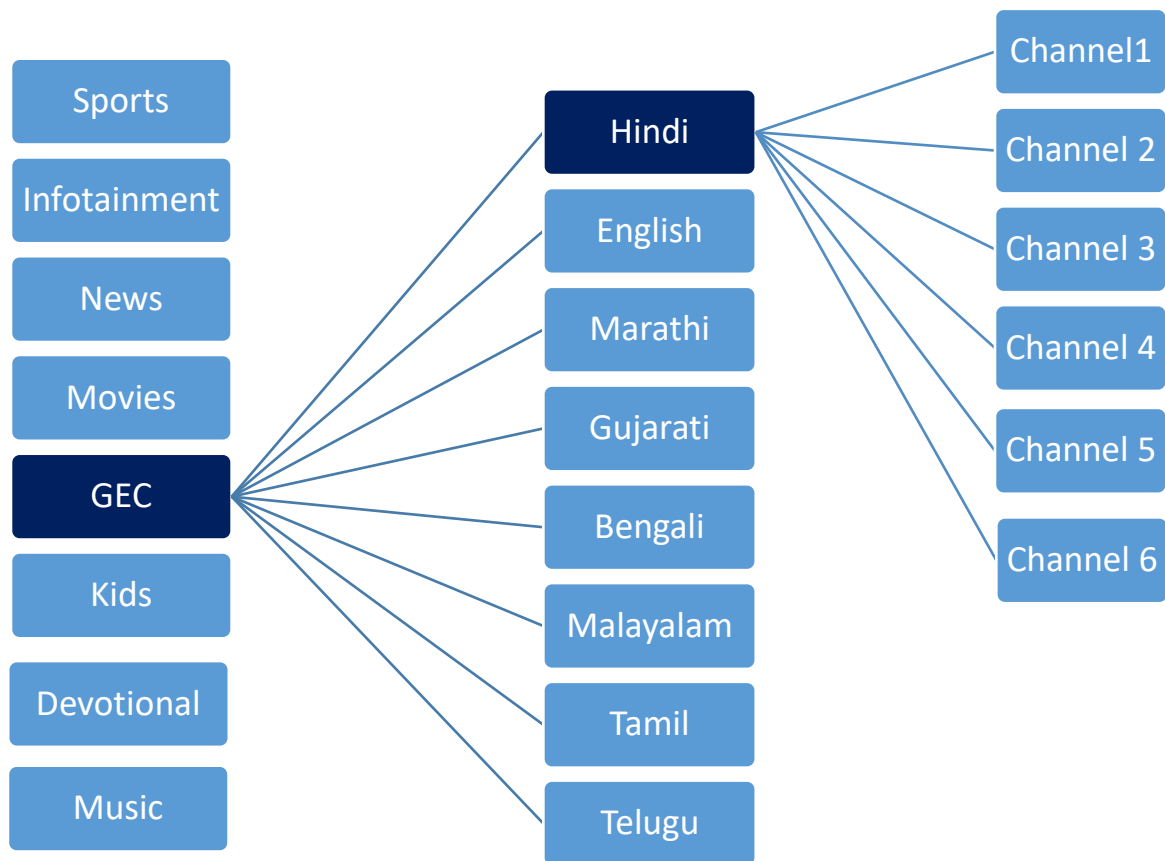


Fig.1: Classification first on Genre basis and then on Language basis

If an EPG is arranged as shown above, each genre will have to follow with a sub-classification of channels on the basis of language. Channels of different language may be sub-classified by creation of a sub-genre or by arranging the channels in the sequence of

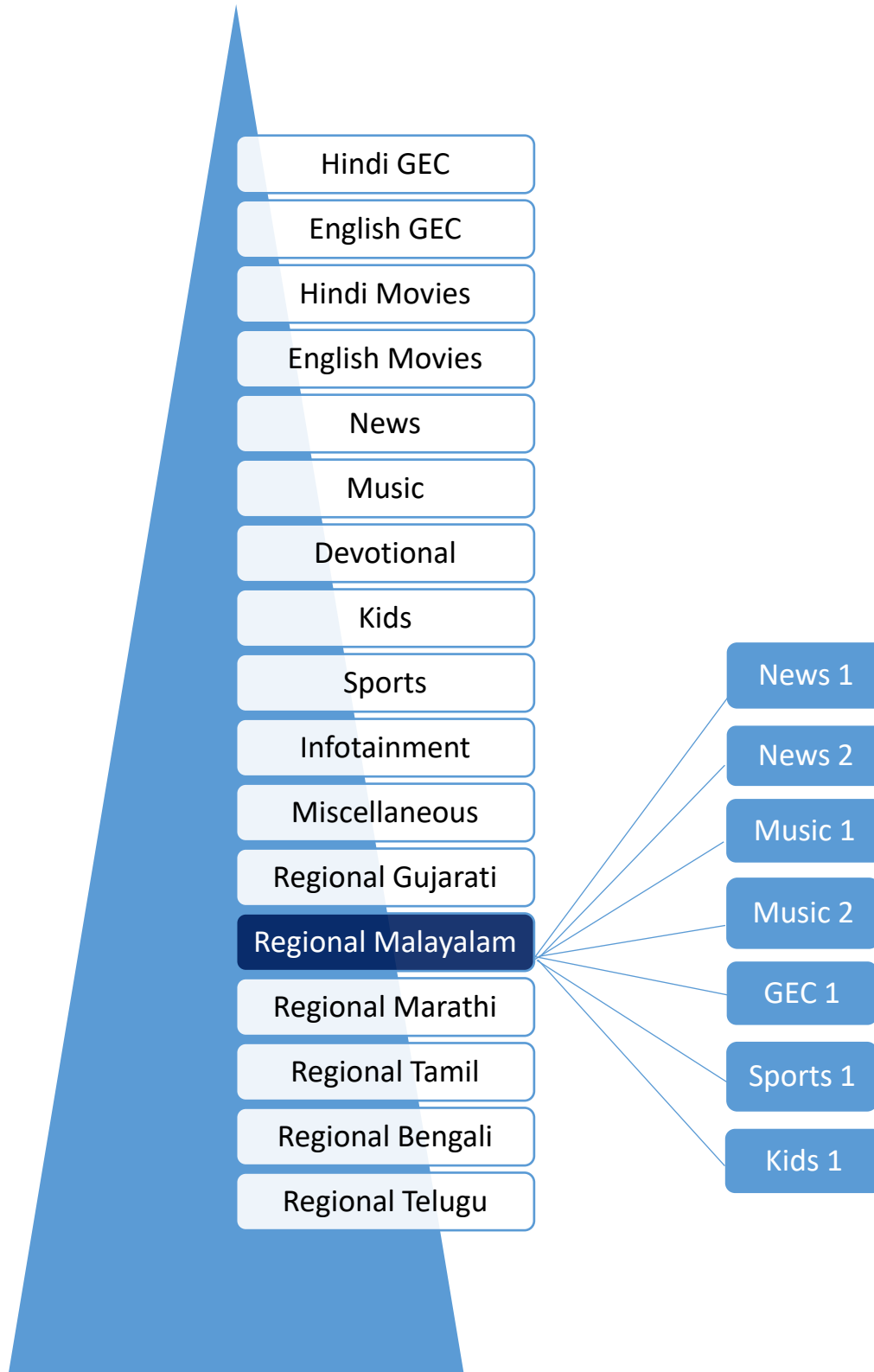


Fig.2: Mixed approach on Classification on both Genre and Language Basis

As a viewer, it is less confusing and more convenient if the channels are placed in a manner as depicted in Fig.2., which is a mixed approach on the classification on both genre and language basis.

1. Genres like News and Music do not require sub-classification in the form of a separate genre and can contain channels sequenced in the manner that all Hindi channels are arranged first, followed by English channels, owing to the nature of these genres. Same goes with the Kids, Devotional, Sports, and Infotainment genres, where a separate Hindi and English language classification is not desired by a subscriber for ease of scrolling through all channels.
2. Other language channels (apart from Hindi and English) under News and Music genres, can appear under a separate genre of Regional Languages, in their respective language genre (for instance, Regional Gujarati is a separate language genre). This way, it would be most convenient for subscribers who understand a certain language and would like to view all genre channels in that language together.
3. Since the number of channels under the genre GEC is very long, it is convenient if Hindi and English GEC channels are categorized separately, while GEC channels in other languages can appear in their respective language genre. Same goes with the Movies Genre.

Apart from standardization of arrangement of the channels, it is suggested that it be ensured that the font size of the details written on the EPG are large and legible.

Q23. Whether distributors should also be permitted to offer promotional schemes on NCF, DRP of the channels and bouquet of the channels?’

A23. Yes, as it will give some space for the DPOs to compete in terms of services offered to their subscribers. In any given market, promoting competition among similarly situated players must be encouraged for customer’s sake and the cable industry is no different.

Q24. In case distributors are to be permitted, what should be the maximum time period of such schemes? How much frequency should be allowed in a calendar year?’

A24. It is ideal to keep the same at the hands of the market forces.

Q25. What safeguards should be provided so that consumers are not trapped under such schemes and their interests are protected?’

A25. Sales promotion schemes cannot be restricted by taking a premise that consumers are stupid and would fall for it despite not being in their interests.

Q26. Whether DPOs should be allowed to have variable NCF for different regions? How the regions should be categorized for the purpose of NCF?

A26. DPOs should most certainly be allowed to have variable NCF based on different factors, more specifically in the case of an MSO who has to further share revenues with their local cable operators.

Q27. In view of the fact that DPOs are offering more FTA channels without any additional NCF, should the limit of one hundred channels in the prescribed NCF of Rs. 130/- to be increased? If so, how many channels should be permitted in the NCF cap of Rs. 130/-?

A27. No comments

Q28. Whether 25 DD mandatory channels be over and above the One hundred channels permitted in the NCF of Rs. 130/-?

A27. No comments

Q29. In case of Recommendation to be made to the MIB in this regard, what recommendations should be made for mandatory 25 channels so that purpose of the Government to ensure reachability of these channels to masses is also served without any additional burden on the consumers?

A27. No comments

Q30. Stakeholders may also provide their comments on any other issue relevant to the present consultation.