

Via Email

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Subject: Comments in response to Telecom Regulatory Authority of India Consultation Paper on Issues related to FM Radio Broadcasting

Dear Sirs,

We write on behalf of the following companies

Digita Radio (Delhi) Broadcasting Limited

Digita Radio (Mumbai) Broadcasting Limited

Digita Radio (Kolkata) Broadcasting Limited

South Asia FM Limited

Kal Radio Limited

(collectively known as “**Red FM Group**”)

to provide comment and suggestions in response to the Telecom Regulatory Authority of India (TRAI) Consultation Paper on Issues related to FM Radio Broadcasting (**Consultation Paper**). We are thankful to TRAI for issuing the Consultation Paper and allowing us to present our views on the same.

The private FM Radio industry has suffered serious financial setbacks due to a number of factors - the economic slowdown owing to the COVID-19 pandemic, high license fees and music acquisition costs, reduced FM radio listenership, high recurring infrastructure costs, and declining ad-revenues. We hope that the Consultatio Paper will result in TRAI to provide recommendations to the Ministry that will once again rejuvenate and revive theprivate FM radio industry.

Our comments and suggestions on the specific questions mentioned in the consultation paper are as under :

Q.1. Are provisions related to Annual License Fee prescribed in the extant Policy guidelines for FM Radio broadcasting reasonable? If not, please provide methodology and criteria for arriving at Annual License Fee for private FM Radio channels with detailed justification.

Our Recommendation:

We recommend that the Annual Fees be delinked from Non Refundable One Time Entry Fees and that the formula should be revised in Policy Guidelines and should now read as under :

The Permission Holder shall be liable to pay an Annual Fee to the Government of India every year charged @ 4% of Revenue of its FM radio channel for the financial year.

Background and Justification

The formula for calculation of annual fee as it currently stands is - higher of: (a) 4% of Gross Revenue for the financial year; or (b) 2.5% of the NOTEF. NOTEF is the successful/ highest bid amount arrived in a particular city through an ascending e-auction process of Phase III licenses was arrived at.

The calculation of annual fee based on NOTEF results in serious discrimination and adverse economic consequences as places where frequencies have been auctioned in the Phase III regime, the bid amount have exceedingly increased which ultimately affects all license/ permission holders even those who had no part in the bidding. In cities such as New Delhi where one frequency was put up for auction under Phase III, while the reserve price for Phase II stood at INR 37 crores, the bidding for the frequency in Delhi rose up to INR 169 crores which became the NOTEF for Delhi. Due to the fact that only a single frequency was put up for auction, there resulted a :scarcity premium: which resulted in such a high NOTEF. This has impacted the broadcasters who did not participate in the bidding process adversely. Contrary to this, in cities where frequencies were not put up for auction under Phase III such as Kolkata, the annual fee was calculated based on percentage of gross revenue, resulting in no available NOTEF. As a result, annual fee calculated as a percentage of the gross revenue in such cities was much more reasonable.

In the current economic scenario, which is already crippled by the pandemic, such formula which is completely oblivious to the financial realities of the FM broadcasters, will only lead to greater difficulties for the sector, making survival extremely difficult. Please again note that there has been a 50 percent plus drop in revenue during Pandemic and even as of 2023, it is expected to reach only about 70 percent of Pre-Covid Levels. The pandemic proved how unfair the formula was since it has resulted in cities paying more than 100% of their revenues as license fee. This surely was not the intent when the policy was formulated. After all, how do I pay, if I have not earned it ??

In light of the above, we have recommended that the Annual License Fee be delinked from NOTEF and be fixed at 4 percent of Gross Annual Revenue. The stations will therefore have to pay only on Revenues earned, which is fair and non-discriminatory.

Q2. Is there a need to extend the permission period for existing FM Radio licensees?

- a. If yes, what should be the revised permission period? Please prescribe the period with detailed reasoning/ justification.**
- b. If not, is there a need to extend any other assistance to private FM Radio broadcasters to overcome the impact of the pandemic? If so, please suggest suitable measures with quantified parameters and justification.**

Our Recommendations

We recommend that the License period be extended by at least three years.

Background and justification:

Phase III Policy Guidelines prescribes the period of permission for FM radio under Clause 3 as 15 years from the effective date.

As you are aware Radio is a free-to-air medium where revenues are purely dependent on advertisement revenues. As we all are aware, the Central Government and various State Governments had imposed complete lockdown measures to strictly implement social distancing in order to curtail the spread of covid in the years starting 2020 to 2022. As a result of the lockdown, The FM broadcasters could not procure enough media advertisements revenue from private sector, which is the prime source of its income and funding. This in turn, further caused unsustainable losses to the FM radio industry. The impact on advertisement revenues can be seen from the table below..

(INR figures in crores)

Financial Year	2019-20	2020-21	2021-22	2022-23 estimate
Advertisement Revenue	2360	1160	1650	1700 to 1800

Many advertisers from sectors like retail, education, property etc, which were the major source of advertisement revenues for radio stations in smaller cities and towns, stopped advertising due to the pandemic lockdowns. Further, ground events which is a secondary source of income for the broadcasters were all cancelled leading to a huge drop in revenue.

However, despite revenues falling to negligible levels, the private radio broadcasters had to continue their businesses with severe losses and by making payment for fixed costs, including tower rentals and license fee payments to the Government, payment of salaries to employees, payment of fee / royalty for content/ music acquisition. The Government did not provide any relief or reduction in terms of fee payments and demanded late payment interest from the broadcasters.

Despite the cancellation of events, advertisements and decline in advertisement investments on the radio by businesses, the private radio broadcasters had to continue their businesses with severe losses and by making payment for fixed costs, including tower rentals and license fee payments to the Government, payment of salaries to employees, payment of fee / royalty for content/ music acquisition. It is also noteworthy that **despite Covid-19 being a 'Force Majeure Event'** which directly and materially affected businesses and performance by radio broadcasters under the GOPA entered with MIB, **the Government did not provide any relief or reduction in terms of fee payments and demanded late payment interest from the broadcasters.**

The impact of above has caused huge losses to the FM Radio sector that have led to employment losses, closure of a few stations and it is now emerging that over 50 more may close down due to lack of financial support and lack of buyers for FM Radio as selling would be only alternative to closures. Extension of license period will give incentive for shareholders, stakeholders and bankers to infuse finance and thereby help this Media Sector survive and cope up with the earning lost during the past 3 years.

In view of the above, it is suggested that the license period under Phase III Policy Guidelines may be extended by at least another three years.

Q3. Is there a need to review the present Policy guidelines as regards the News and current affairs on private FM radio stations? If so, please provide detailed justification, including the additional compliance/ reporting (if any), duration of news and current affair programmes and method of effective monitoring may be suggested.

Our Recommendation

Yes. There is a need to lift the restriction on broadcast of news and current affairs on private FM radio stations. As per the existing rules, FM radio broadcasters can only air AIR bulletins in 'exactly the same format'. This is an unfair situation in an age where private television channels and the digital mediums, though unregulated, are allowed to freely broadcast news and current affairs programmes.

Sports related broadcast, including live coverage of National and International sport events, should also be allowed on FM Radio.

Background and Justification

The current Phase III policies for FM Radio, permitted FM Channels to carry the AIR news bulletin, unaltered, on their channels. The blanket prohibition on news was further relaxed to some extent since the new policy deemed certain items as 'non-news', and thereby permitted FM channels to broadcast the following categories of content:

- (a) Information pertaining to sporting events excluding live coverage. However, live commentaries on local sporting events may be permissible;
- (b) Information pertaining to traffic and weather;
- (c) Information pertaining to coverage of local cultural events and festivals;
- (d) Coverage of topics pertaining to examinations, results, admissions, career counselling;
- (e) Information regarding employment opportunities; and
- (f) Public announcements pertaining to civic amenities like electricity, water supply, natural calamities, health alerts, etc. as provided by the local administration.

Broadcast of other forms of news or current affairs by private FM radio channels continued to be prohibited.

Private FM radio operators have a separate radio station in each of the 388 locations in the country across more than 100+ cities. This gives them the unique advantage over any other medium, to communicate real-time in local language and even dialects, giving radio an unparalleled local connect and making them best poised to create and broadcast news most relevant to local audiences, in the language they best understand.

Further, it is also pertinent to note that all other mediums of broadcast *viz.*, print, television (regulated), All India Radio or digital (unregulated) are permitted to broadcast news and current affairs, subject of course, to adherence of certain mandatory requirements. In order to combat any potential misinformation, radio operators may be permitted to set up a self-regulatory body in the likeness of the NBSA, which would administer a code of standards for news aired on these channels. To ensure that a uniform standard of journalistic ethos is preserved across all mediums of news, this code would be emulating the existing best practices.

Private FM broadcast has an enormous reach, good understanding of the audience in the remotest corners of the country and a great connect with the masses. It is one of the best placed mediums to disseminate important news and current affairs content free-of-cost. In view of the above, there is no logical explanation for the embargo on radio stations broadcasting news and current affairs content. The permission will only create a level playing field for the medium.

Permitting radio operators to broadcast news content can also help in easing the music royalty burden on radio broadcasters. Currently, private FM broadcasters are heavily dependent on broadcast of music content, which entails crores of rupees of royalty payments to music licensors. This is because the royalty payouts are majorly based in 'per needle hour' basis i.e. depending on number of hours of music played in an hour/day/month. If broadcasters have the option of running variety of content other than just music i.e., news/current affairs programs, this dependency can ease and the expenditures can be controlled to a large extent, thus indirectly helping the ailing industry.

Q4. Is there a need to mandate that all the Mobile Handset manufactured/ sold in India will require to have an in-built FM Radio receiver? Please provide detailed justification for your comments.

Our Recommendation:

There is an urgent and pressing need to mandate that all the Mobile Handset manufactured/ sold in India should have an in-built and active FM Radio receiver.

FM radio acts as a major fillip in serving far flung areas of the country and is the only mode of reaching audiences in accessible areas during natural emergencies. Radio stations have been considered as enablers and information providers that not only create awareness among people but also assists in authentic information dissemination.

Unlike TV, FM radio transmission is local in nature, transmitting hyper-local information within a 72-100 kilometer radius. A disaster in one city or district in the country cannot be handled via television, because satellite TV has a national footprint. On the other hand, FM radio is ideal for providing a minute-by minute update on the evolving situation in the concerned city or district. Further, Radio Jockeys (RJs) speak in local-vernacular languages and hence, can communicate with the population more effectively.

It is in National Interest that FM receivers be mandated on all mobile phones. It will also ensue that not only private radio, but also Government information through All India Radio FM channels reach almost all citizens. At times of National Disaster this may also save multitude of lives.

Q5. Stakeholders may also provide their comments on any other issue relevant to the present consultation.

Relief package for FM Radio industry: We recommend that to help FM Radio Sector survive, a financial package to cover huge losses during Covid period be given as follows:

1. Two year waiver of License Fees for coming financial years in addition the the extension of license period itself by 3 years as recommended earlier hereinabove..
2. Waiver of all interest levied on late payments of license fee due to the Covid pandemic.

In view of the financial condition and loss of opportunities for infusing fresh funds as well as no marketability at present for sale of radio stations, a Relief Package from Government would be of immense help.

In addition , we would request for :

Digital Radio - at no additional cost: Many countries have already adopted the Digital radio technology for FM radio broadcast and we believe it is high time that India adopts the technology as well. This will help in improving listener experience due to better sound quality. We suggest that current policy should be amended to permit Digital radio channels at no additional cost to the existing permission holders in a simulcast mode along with Analog Broadcasting. This will boost the health of the ailing industry by increasing opportunities by way of higher ad-inventory, ability to start dedicated channels for news/current affairs (if permitted as be suggestions above.) and consequently benefit the government by way of higher license fee (based on 4 percent of Revenue) once the revenues of the industry are up. Resultantly, this measure will be to benefit of all stakeholders in the industry.

Permission for slump sale: As you are well aware, the process for a loss making organization to alienate its loss making FM radio station business into a separate entity, under the reorganization permission now available to them, involves a lot of time and procedural hurdles. To counter this, we propose that 'slump sale', which is a well-recognized concept under the Income Tax laws, should be permitted for sale/take-over of FM frequencies. This can help many small broadcasters and even big companies to reorganize their business in quick time and help them to remain profitable.

Change in Auction Methodology: We propose a change in auction methodology in future auctions for new frequencies. with waiver of license fees completely, as the efforts towards reducing Reserve Prices have not succeeded. We believe that this will be the only factor that can incentivize existing and new players to bid for additional/new frequencies. The result can be successful allocations, higher value bids collection for the government and thus upfront collection of monies for the government, even the interest on which can be more than the license fee that may be paid by the players over the term of the new licenses.

Thanking You

Yours sincerely,

for **Red FM Group**

Sd/-

Rohit Lal

Authorized Signatory