

23rd September, 2019

To,
Sh. Arvind Kumar
Advisor (B&CS),
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg, New Delhi 110002

Subject: Comments on Consultation Paper on 'Tariff related issues for Broadcasting and Cable services' dated 16.08.19.

Sir,

Please find enclosed herewith comments of Reliance Jio Media Limited (RJML) on the consultation paper on 'Tariff related issues for Broadcasting and Cable services' dated 16.08.19, for your kind consideration.

Thanking You,
For **Reliance Jio Media Limited,**



Authorised Signatory

Enclosures: As above.

Comments of Reliance Jio Media Limited (RJML) on TRAI'S Consultation Paper on 'Tariff related issues for Broadcasting and Cable services' dated 16.08.19

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.

The intent of Tariff Order of 2017 was to enable the subscribers to choose and pay for the channels that they want to watch and not be saddled with a host of unwanted channels. However, this objective has not been achieved. In fact, broadcasters have misused this flexibility provided to them and continue to push unwanted channels to customers by bundling them with their popular channels.

Broadcasters have increased the prices of their most popular TV channels ("driver channels") to Rs.19/- or close to Rs.19/- for inclusion in bouquets. The less popular channels which have low demand have been priced at nominal amounts as low as 50 paise or Re.1/- and even FTA channels have been converted to Pay channels. These less popular channels and the driver channels have been bundled into bouquets, which are offered at deep discounts in the range of 30-70% as compared to the sum of their a-la-carte prices. Due to the vast difference between the a-la-carte prices and the bouquet price, a customer will naturally opt for a bouquet.

Therefore, a lack of cap on broadcaster bouquet discounts has resulted in the following drawbacks:

1. The real market price of the channels is much lower, however, these prices have been masked through bouquet pricing.
2. Customers are unable to exercise choice in real terms and are forced to opt for bouquets.
3. Customers incur additional NCF since they are forced to opt for bouquets and consequently get loaded with more channels than they require.

To rectify the imbalance, a linkage between the bouquet prices and the a-la-carte prices should be established. A reference can be drawn from the twin conditions incorporated in 'The Telecommunication (Broadcasting and Cable) Services (Fourth) (Addressable Systems) Tariff (First Amendment) Order, 2012 dated 30.04.2012', which established a linkage between the bouquet prices and a-la-carte prices.

The proposed conditions could help plug the gaps of NTO 2017 and are listed below:

"(i) the maximum retail price per month of such bouquet of pay channels shall not be less than eighty five percent of the sum of maximum retail prices per month of the a-la-carte pay channels forming part of that bouquet ; and

(ii) the a-la-carte rates of each pay channel, forming part of such a bouquet, shall in no case exceed one and half times the average rate of a pay channel of that bouquet of which such pay channel is a part."

Introduction of the above conditions will help in bridging the gap between a-la-carte prices and bouquet prices of TV channels, discourage indiscriminate bundling of channels and enable customer choice.

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-à-vis other broadcasters?

The broadcasters have misused the flexibility on the aspect of providing discounts on bouquets. The overall monthly subscription costs has increased significantly for subscribers. The non-implementation of 15% cap on discount clubbed with the high ceiling of Rs. 19/- on the price of MRP of a-la carte channels forming part of such bouquets is responsible for pushing unwanted channels along with popular channels.

Different broadcasters are giving different levels of discounts depending on how they are competitively placed in the market. The larger broadcasters are much better placed as compared to the smaller broadcasters. The price sensitive customers tend to opt for the bouquets of the larger broadcasters that carry the more popular or driver channels, by opting for bouquets the subscriber gets saddled with lots of unwanted channels which consumes their NCF limits. As a consequence, the regional and niche channels by smaller broadcasters are not opted by subscribers due to budgetary constraints. Hence, the smaller broadcasters are losing subscribers due to the non-level playing field created by the absence of a cap on the discounts on 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?

As discussed above the broadcasters have misused the flexibility provided to them and have seized the opportunity to maximize revenue. This has increased the monthly subscription cost for the end customer significantly and they are unable to exercise choice in real terms. A linkage between a-la-carte prices of channels and bouquets prices needs to be established in such a way that the tendency of broadcasters to bundle non-popular channels along with the driver channels is minimized and a-la-carte prices of channels become reasonable.

Broadcasters would like to maximize the reach of all their channels by making their bouquets more attractive. A restoration of the discount cap of 15% on broadcaster bouquets will make bouquets at the current a-la-carte price levels very expensive. Therefore, a cap on the discount on bouquets will drive the broadcasters to rationalize both a-la-carte prices and bouquet prices.

The level of discount allowed on the sum of a-la-carte prices of the channels forming part of a bouquet should be 15% as prescribed under the earlier TRAI Tariff Order 2017.

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?

DPOs and broadcasters should be permitted to formulate bouquets and offer them to the subscribers. In order to maintain a level playing field both Broadcasters and DPOs should be allowed to offer the same level of discounts that the broadcasters are permitted to provide on their bouquets.

The broadcasters are keen on pushing all their channels to the customers whether they are required by them or not. As a consequence, subscribers end up opting for bouquets with large number of unwanted channels for which they have to pay more channels subscription and NCF charges.

The DPOs are in direct touch with the customers and understand their needs and viewing habits much better than broadcasters. DPOs should be permitted to draw channels from the broadcasters' bouquets to formulate more meaningful and cost-effective bouquets for the subscribers. Since these bouquets will carry a lesser number of channels, the overall monthly cost for the customers will reduce due to (a) reduction in the subscription costs for channels (b) lower NCF charges.

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

Please refer to response to Q 1.

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?

The broadcasters are offering a large number of bouquets with little differentiation. This is creating difficulties both for the subscribers and the DPOs. The number of bouquets that broadcasters have floated varies between 1 to 2.5 times the number of channels that they distribute, for example a broadcaster with 65 pay channels has formulated 148 bouquets.

Most broadcaster bouquets carry almost the same channels with minor changes, they are priced similarly and have similar nomenclature. Therefore, choosing from almost similar bouquets becomes time consuming and confusing for the subscriber, who may end up making the wrong choice.

The SMS software at the DPOs on the other hand were not designed to handle such a large number of bouquets and therefore leads to an unnecessary drain on the system resources and slows it down.

A lesser number of broadcaster bouquets will make consumer choice simpler. The number of bouquets that a broadcaster can offer at a given point of time should not exceed 25% of the number of the channels that they are distributing as a group. i.e. a broadcaster telecasting 60 channels should be permitted to formulate 15 bouquets.

Similarly, the number of bouquets that a DPO can offer at a given point of time should not exceed 25% of the number of the channels that are being distributed through their networks.

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

As mentioned above in the response to Q6, the number of bouquets should be limited to 25% of the number of the channels irrespective of the state, region or language etc.

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?

With the implementation of NTO 2017, the a-la-carte prices of popular channels have been pegged at the highest level permitted for inclusion in bouquets. Some FTA channels have been converted to Pay category and the less popular channels of broadcasters have been nominally priced at 10 paise, 25 paise, 50 paise etc with the sole purpose of bundling them in bouquets.

On a closer examination of Annexure 1 of this consultation paper, it can be observed that the variance between the current prices of Pay TV channels and their prices prior to this NTO 2017 ranges between - 98% to 655%. Thus, there seems to be no linkage between the current prices and the earlier prices. The current a-la-carte channel prices have been tailored by broadcasters to exploit the absence of the cap on discount on bouquets in the current tariff regulation, to hedge the prices of the channels and maximize their revenues at the cost of the subscriber.

The most popular or driver channels are priced at Rs. 19/- or Rs.18/-, Rs. 17/- etc. On the other hand, the prices of bouquets have been deeply discounted sometimes even upto 70% of sum of the a-la-carte prices of the channels in the bouquet. This leaves the customer with no other option but to opt for a bouquet. The non-popular channels are so nominally priced that discount on their individual price is negligible. In effect, it is prices of the driver channels that are being deeply discounted under the pretext of a bouquet offering and therefore the a-la-carte prices are not a reflection of their true prices.

This malpractice can be curbed by interlinking the a-la-carte channel prices and bouquet prices. The maximum permissible discount on a bouquet should be fixed and this should be linked to the sum of a-la-carte prices of the channels that are part of the said bouquet, as discussed in response to Q1.

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?

The intent of TRAI while capping the a-la-carte price of channels to be included in bouquets at Rs.19/- was to give a broad upper ceiling and leave ample scope for broadcasters and market forces to determine the actual a-la-carte retail price. However, this liberty has been misused by the broadcasters and they have formulated their bouquet prices and channels in such a way that the customers are being forced to pay much higher prices as compared to the previous tariff regime. As discussed above in Q 8, the driver channels have been priced at nearabout Rs. 19/-. Bouquets have been formulated by bundling the less popular channels along with driver channels and offering the bouquets at deep discounts to the customers.

Therefore, a-la-carte prices are not a true reflection of the true prices and the ceiling on the MRP of channels which are eligible to be part of bouquets should be reviewed.

The pre NTO 2017 channel prices could be used as a reference point for determining the ceiling on MRP of a-la-carte channels.

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?

The tariffs under the new regime have gone up considerably for the end consumers. They customer is ending up paying much more for a lesser number of channels. This is on account of the unreasonable hike in the prices by the broadcasters.

As per below table data sourced from “An Analysis of Competition and Regulatory Interventions in India’s Television distribution and broadcasting services”, by ICRIER, the a-la-carte prices of channels have been increased even further under the NTO 2017. The channels of the popular HD channels have been reduced to around Rs.19/- just to make them eligible for inclusion in the bouquets.

Channel Name	Genre	MRP per ^{mm} subscriber per month	Old à-la-carte rate for addressable systems as offered by broadcasters to DPOs as of June 2016 ^{mm}	Difference in the rates (% increase/ decrease)
Colors SD	General Entertainment	19	8.99	111.35
Colors HD	General Entertainment	19	30.00	-36.67
Zee TV SD	General Entertainment	19	5.83	225.90
Zee TV HD	General Entertainment	19	30.00	-36.67
Sony SET	General Entertainment	19	8.99	111.35
Star Plus	General Entertainment	19	7.87	141.42
Zee Cinema	Movies	19	5.83	225.90
Star Movies	Movies	12	7.42	61.73
Set Max	Movies	15	7.64	96.34
TEN 1	Sports	19	6.74	181.90
Star Sports HD 1	Sports	19	14.89	27.60
Star Sports HD 1	Sports	19	35.00	-45.71
Cartoon Network	Infotainment	4.5	5.62	-19.93
Fox Life	Infotainment	1.0	1.0	0.00
National Geographic	Infotainment	2	2.58	-22.48
National Geographic HD	Infotainment	10	16.00	-37.5
Disney Channel	Infotainment	4	4	0.00
NDTV 24*7	News	3	3.82	-21.47
Aaj Tak	News	1	3.15	-68.25
Discovery	Infotainment	4	6.74	-40.65

The intent of the NTO 2017 was to enable more choice for the customer and reduce the cost for the customer by effective selection of channels. Channel bundling and deep discounting continues, with the added increase in channel prices the customer has ended up paying more than in the previous regime.

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

Please refer to response to Q8.

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

Both DPOs and broadcasters should be allowed to offer bouquets to subscribers due to the convenience they offer in choosing a group of channels and the economy that they offer. However, bouquets should be subject to certain restrictions as discussed in the response, to make them customer friendly and prevent misuse by broadcasters or distributors.

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

As discussed in response to Q6, the total number of bouquets offered by broadcasters and DPOs should be reduced in order to make it easy for the consumer to exercise their choice.

In addition to this, most DPOs have made available simple, user friendly, online web applications accessible through computers or hand-held devices, to enable easy channel / bouquet selection.

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

The current regulation gives some flexibility to DPOs in deciding the prices of both NCF and DRP. While the demand for popular TV channels is quite inelastic and a channel is not substitutable (e.g. a sports channel is a must have during a cricket series), therefore broadcasters are able to command the price for a particular channel, and market forces cannot come into play in such a case.

On the other hand, DPOs are simply delivery mechanisms of the same content, hence they are easily substitutable. This provides ample scope for market forces to operate, hence this aspect does not need to be regulated. Some DPOs are already offering more than stipulated 100 TV channels within Rs. 130/- which is the specified initial charge of NCF. This itself is an example of the operation of market forces in the case of DPOs and hence this aspect does not warrant further regulatory intervention.

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.

Please see response to Q14. Due to the substitutability of DPOs, ample competition exists, therefore market forces should be given an opportunity to operate and provide the best possible offering to customers.

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?

Identifying and determining the number of multi-TV homes in a DPO network could become a contentious issue among the stakeholders i.e. MSO, LCO, broadcasters and could lead to disputes between them. Hence, different MRP of channels for multi-TV homes should not be allowed.

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

Each STB in a DPO is uniquely identified, and customers are already availing the option of selecting different sets channels for different TVs in a multi-TV home.

Q18. How should a long term subscription be defined?

The minimum length of subscription to avail long term discounts should be 6 months.

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?

The DPOs already have the flexibility of providing a 15% discount on bouquets vis a vis the a-la-carte prices of the channels forming part of a bouquet, hence there is no need for introducing a provision for discounts on long term subscriptions for DPOs.

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

The broadcasters should not be permitted to offer discounts on MRP for long term subscriptions. This is because identifying and accounting of long-term subscribers could become a contentious issue among the DPOs and broadcasters. This provision should not be introduced as this could lead to disputes among the stakeholders.

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?

The Interconnection regulation "The Telecommunication (Broadcasting and Cable) Services Interconnection (Addressable Systems) Regulations, 2017 (No. 1 of 2017)", covers channel placement in the EPG adequately.

The regulation clearly specifies the logical criteria for placement of a TV channels in the EPG such as genres and language etc, in addition to this the regulation prohibits changes in placement of channels in the EPG

for one year. Therefore, the regulation does not leave any scope for DPOs to misuse this privilege and does not need to be reviewed.

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

As stated in response to Q 21, the interconnection regulations have adequately covered this aspect.

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

NCF is the exclusive domain of a DPO, therefore DPOs maybe permitted to offer promotional schemes on NCF. As discussed in response to Q14, DPOs are already extending benefits on NCF to their subscribers and hence this aspect does not warrant regulatory intervention.

However, promotional schemes on DRP could lead to unfair trade practices, unhealthy competition and give rise to disputes between MSOs and LCOs and hence DPOs should not be permitted to offer promotional schemes on DRP.

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?

Please refer to response to Q 23.

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

Please refer to response to Q 23.

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

As per the tariff order the DPOs are permitted to price the NCF as per the demands of their target markets, therefore this aspect does not require a review.

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/-?

Please see response to Q14. There is ample competition among DPOs in the market. Therefore, market forces should be given an opportunity to operate, to provide the best possible offering to customers and hence this aspect does not warrant a review.

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

25 channels is a significant number of channels and costs are incurred by DPOs to receive and retransmit these channels over their networks. Hence, the mandatory channels should not be excluded from the 100 channels permitted in the initial NCF of Rs.130/-.

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?

As discussed in the response to Q28, DPOs incur costs in receiving and retransmitting the channels over their distribution networks.

As mentioned in the response to Q14, there is ample competition among the DPOs. Due to competitive pressures and to suit the demands of their markets, some distributors are already offering more FTA channels than has been mandated by the regulation, while some are not counting the 25 mandatory DD channels as part of the initial 100 FTA channels for charges of NCF of Rs.130/-. Therefore, it should be left to the DPO to tune their offering as per the demands of a particular region or market, the 25 mandatory channels should not be excluded from the current limit of 100 FTA channels within the prescribed NCF of Rs.130/-, and status quo maybe maintained.