

SATELLITE & Cable TV

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INTRODUCTION TO SATELLITE & CABLE TV MAGAZINE

Satellite & cable TV is India's oldest and largest B2B magazine devoted to the Cable TV, DTH and Broadband distribution industries. Now in its 28th year, the magazine is primarily a monthly publication, printed bilingually in Hindi + English. The magazine content is also available free-to-read on our website (www.scatmag.com) in English. The website also provides a wealth of industry archival material such as the Cable Act, several hundred technical articles from the magazine and other long-term reference material.

Satellite & Cable TV Magazine's Response To TRAI's Consultation Paper "Tariff Related Issues For Broadcasting & Cable Services" dated 16th August, 2019

The PAY TV CAULDRON

For more than a decade, the Ministry of Information & Broadcasting & the sector Regulator (TRAI) have been trying to eliminate the menace of large Pay Channel bouquets being thrust upon the consumer.

In fact the entire digitisation of the Cable TV sector was done, with a promise to the consumer, to provide freedom of choice & the consumer would pay for only those channels they want.

120 Million+ Digital STBs (approx. Rs 12,000 Crores+) later, and Crores spend of Digital Headends, the consumer is no better off. *In fact today the consumer is alarmed that they are being called on to pay more than ever before, for their month TV viewing!*

LITIGIOUS INDUSTRY

The Pay TV industry is extremely litigious. Almost every TRAI regulation has been challenged all the way to the Supreme Court. Reports are that one broadcaster has already approached the courts to quash this consultation!

OVER REGULATED

On the other hand, the industry is clearly over regulated with TRAI trying to regulate and authorise the minutest detail. There is a new TRAI regulation or direction, almost every month for the past 5 to 10 years. This makes the regulator's role intrusive & the industry's working unstable, unpredictable and contentious. The industry on its part, tries to find loopholes to TRAI's declared regulations which in turn leads to a patchwork of modified or new regulations. It is a vicious un-ending cycle - a Cat & Mouse game.

Exactly the same has been played out in the case of the New Tariff Order (NTO).

CONSUMERS BEWILDERED

As a result of micro regulation, the New Tariff Order is extremely complex. Consumers have been bewildered and are unable to fully understand their options. **Selecting channels has now become more complex and elaborate than filing ones Income Tax returns!**

DPOs have either preferred not to or simply unable to structure their subscriptions portal to accommodate the myriad options offered to the consumer in selecting their monthly TV entertainment.

***NTO Needs Simplification.
Avoid Complex Options & Micro-Regulation***

SIMPLIFICATION REQUIRED

Rather than modify the existing NTO with even more convoluted & patched up micro regulations, the need is to radically simplify the NTO & restructure it within the existing broad framework of the New Tariff Order.

NTO ISSUES

TRAI & others have pointed out the following reasons why the NTO has failed to facilitate consumer choice but has instead inflated the monthly TV spend.

- * No 15% cap on bouquet discounts
- * Unrealistically high a-la-carte prices, Forcing Consumers To Opt For inflated Bouquets
- * Unfathomable choice of bouquets To Consumers (More than 100 Bouquets).
- * Ratio Of NCF split between MSO : LCO (55:45)
- * Consumers Pay (NCF) for Doordarshan channels
- * FTA Channels Offered A-La-Carte only – To The Disadvantage Of FTA Channels
- * No discount for Multi STB / TV homes

SUGGESTED RESTRUCTURE

Satellite & Cable TV magazine would like to suggest restructuring the New Tariff Order as follows:

REMOVE BOUQUETS

Pay Channel Broadcasters, DPOs and the regulator continue to play a cat and mouse game on clubbing of unnecessary channels that the consumer is compelled to take. The regulator has even implemented the NTO in good faith (without the 15% Bouquet discount cap) which has been misused by both - Pay Broadcasters and DPOs.

The ideal solution would be to disallow all Pay Channel bouquets.

***Bouquets Should Be Disallowed -
Only A-La-Carte Channel Selection By Consumers Permitted***

Once Pay Channels are offered only on an a-la-carte basis, broadcasters will have no option but to declare realistic pay channel prices. A-La-carte selection will provide the ultimate power of channel choice to consumer. The move will resolve issues of excessive and irrelevant bouquets that bewilder the customer.

This is a radical move and maybe pay broadcasters will once again challenge it in Court. The regulator should consider its legal validity or alternately structure the Revised Tariff Order (RTO) to discourage bouquets by capping bouquet discounts to 5%.

SUGGESTED HOLISTIC SOLUTION

SIMPLICITY is the Key criteria for implementing a tariff order aimed to benefit consumers, 25% of whom are illiterate.

Selection and payment for both – Pay & FTA channels must be made easy to comprehend for Indian TV viewers.

We propose a holistic solution which will overcome all the shortfalls of the current tariff order. However, the proposed solution needs to be implemented as a composite package only. **Extracting and implementing only select suggestions that we have made will not provide a solution. All suggestions need to be implemented as a composite, holistic solution, to provide relief to consumers.**

We propose that the New Tariff Order should be revised to the following simple structure:

- **Pay Channels Delivered (To DPOs & Consumers) Only On A-La-Carte Basis**
- **No Bouquets Permitted By Broadcasters Or DPOs**
- **No Discounts:**
 - No Discounts Permitted On Declared A-La-Carte Prices
 - No Multi TV Discount
 - No Long Term Discounts
 - No Discounting Of NCF
- **NCF in only 2 Slabs:**
 - Rs 100 + tax NCF for up to 100 SD Channels (1 HD = 2 SD Channels)
 - Rs 150 + tax NCF for unlimited number of channels (Pro FTA Channels)
- **‘Must Carry’ Channels Not Included In NCF.**
They must be delivered free, as long as at least Rs 100 NCF (+Tax) is paid.
- **100% of the NCF to the LCOs**

We have explained our reasoning for each of these recommendations (and how they provide a holistic, simplified solution) when answering the regulator’s specific queries (below) as in the consultation paper “Tariff Related Issues For Broadcasting & Cable Services” dated 16th August, 2019

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.

ANS: Yes, the absence of a bouquet price cap (which was a key proposition in the NTO) has definitely been misused by broadcasters. Under the garb of discounted bouquets, consumers' choice to pick specific channels has been made prohibitively expensive.

We suggest the following remedial action, which we have summarised as:

- **Abolish All Bouquets. All Pay Channel should be offered ONLY A-La-Carte.**

In a single stroke this will eliminate several menaces including:

- Illusionary Pricing
 - Bundling of Unwanted Channels
 - Excessive & Confusing Number of Bouquet Choices To Consumers
 - Un-necessary NCF Paid By Consumers For Unwanted Bundled Channels
- Disallow all discounting, to prevent manipulation / work arounds by Broadcasters & DPOs. This will also disable predatory pricing (often below costs) by DPOs with deep pockets.
 - Simplify NCF in just 2 slabs, opening up easy delivery of all FTA channels to consumers.

These measures will, when implemented collectively, provide transparent and fair deals to consumers.

Each of these recommendations will be elaborated and justified while responding to the regulator's other queries.

Given the litigious nature stand by broadcasters & DPOs, the regulator may alternately allow only marginal bouquet discounting, limited to 5% of a bouquet's sum of a-la-carte price. However, this will almost certainly result in a confusingly large number of bouquet choices for consumers, hence we once again re-iterate our stand that **all Pay channels should preferably be offered to consumers on an a-la-carte basis only, at least for an initial period of 1 year.**

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?

ANS: Yes, particularly broadcasters that offer a multitude of channels, many of which are not worthy as stand alone Pay channels. They have declared inflated a-la-carte prices & created enlarged bouquets; that are heavily discounted; containing a few prime channels.

This returns the consumer to the Pre-NTO days, where consumers were saddled with un-necessary channels. Infact the bouquet inflation coupled with the NCF charge has driven consumers' costs beyond even the pre NTO period.

We reproduce, TRAI's own analysis chart, indicating additional levels of bouquet bundling.

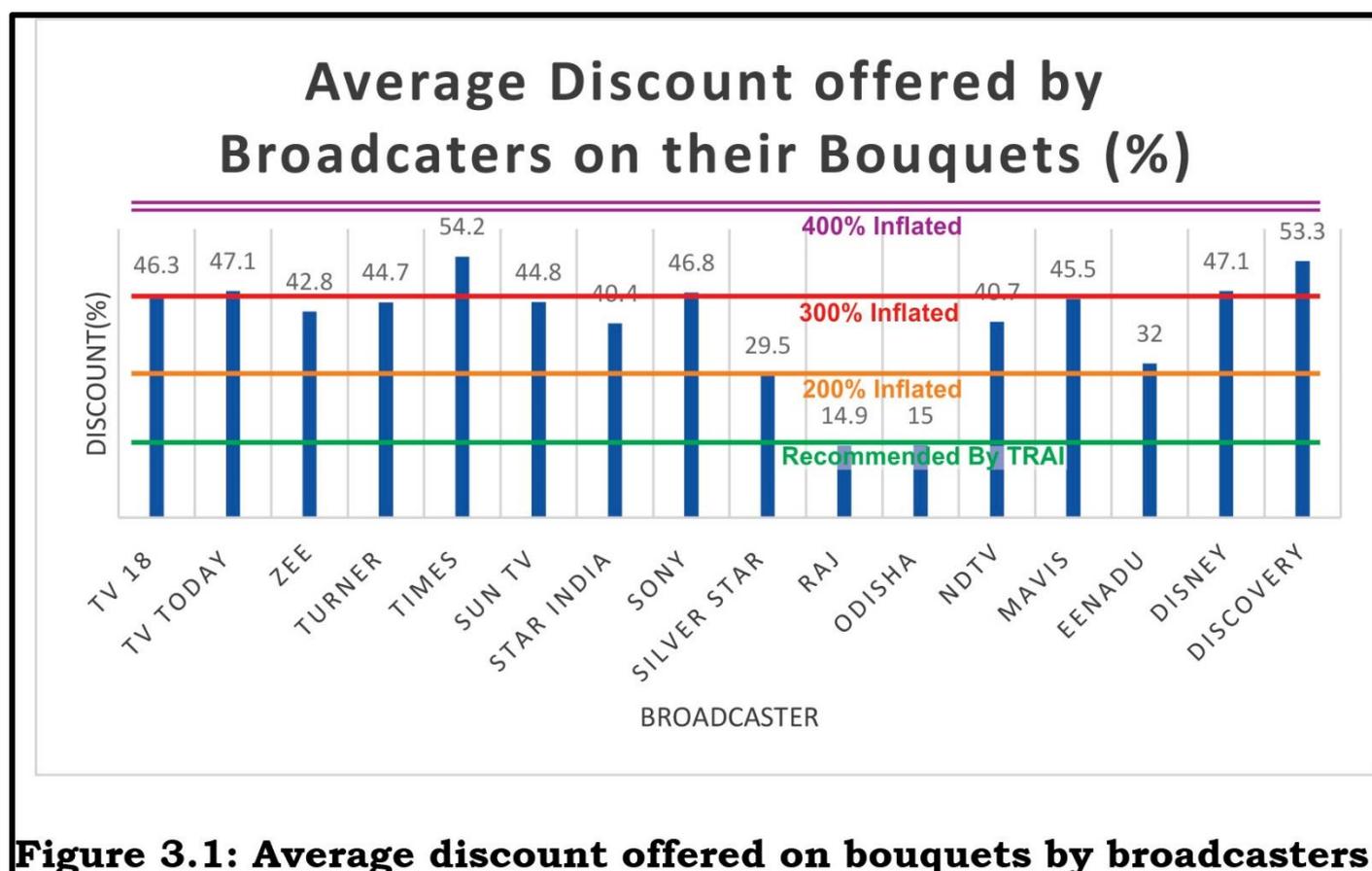


Figure 3.1: Average discount offered on bouquets by broadcasters

Analysis Of Excessive Bouquet Discounting By 16 Broadcasters (Source TRAI)

As Per TRAI Limit	2 Broadcasters	12.5% Of Broadcasters
200% Above TRAI Limit	1 Broadcaster	6.25% Of Broadcasters
300% Above TRAI Limit	6 Broadcasters	37.5% Of Broadcasters
400% Above TRAI Limit	7 Broadcasters	43.75% Of Broadcasters

***81% Of Broadcasters Have Inflated Their A-La-Carte Prices
Atleast 300% Above TRAI's Suggested Limit & Discounted Their Bouquets***

CONCERN FOR CONSUMERS

However, it is worth stressing that, the biggest victim is the Consumer , who pays a NCF of Rs 1 to Rs 1.50 for each unwanted channel in the inflated bouquet.

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?

ANS: As stated in our preamble above, the NTO is the result of a decade old Cat-&-Mouse game by broadcasters who have tried to find loopholes and work around TRAI's regulations. This has created a very

elaborate New Tariff Order that has also been circumvented, because TRAI did not implement the key 15% Bouquet Discount Cap (despite the Supreme Courts approval).

Our quick analysis of the a-la-carte rates shows that out of the 330 ‘Pay’ Channels:

- 6 ‘Pay’ Channels Priced are priced at or Below 10 paise**
- 25 ‘Pay’ Channels Priced are priced at or Below 30 paise**
- 45 ‘Pay’ Channels Priced are priced at or Below 50 paise**

Less than Half Of All Pay Channels are priced above Rs 5

It can be sustainably argued that most of these so called ‘Pay’ Channels are in reality Free channels that have been tagged as ‘Pay’ channels so that they can be bundled with other pay channels (as per the NTO) into inflated bouquets and dumped to consumers.

Incidentally, there are 100 ‘Pay’ channels priced below Rs 1.53 – the NCF charge a consumer pays for delivery of any channel – FTA or Pay. The consumer is an unwitting victim, forced to take on bloated bouquets, consisting of multiple channels of no interest to them, and pay NCF on the unwanted channels.

The Revised Tariff Order needs to put an end to the illusionary positioning of laggard channels as pay channels so that they can be bundled and forced on to consumers, via Inflated a-la-carte prices for Prime Channels.

**The New Methodology Should Be Simple For The Consumer To Comprehend & Implement.
This Is Absolutely Essential.**

SUGGESTED SOLUTION

- (Preferably) Abolish All Bouquets. **All Pay Channel should be offered ONLY A-La-Carte.**
- **No Discounts Permitted On the Delcared A-La-Carte Price.**
- Given the litigious nature stand by broadcasters & DPOs, to minimise litigation & delays in implementation, TRAI may alternately allow only marginal bouquet discounting, limited to 5% of a bouquet’s sum of a-la-carte prices. However, this will almost certainly once again result in a confusingly large number of bouquet choices for consumers.
- Hence we once again re-iterate our stand that all Pay channels should preferably be offered to consumers on a (Non discountable) A-la-carte basis only, atleast for an initial period of 1 year.

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?

ANS:

- * DPOs Should Not Be Permitted Bouquets**
- * DPOs must be disallowed from discounting the NCF to avoid predatory pricing**

In India, there is at least 1 MSO which operates on a Not For Profit basis. Its operations and operational losses are subsidised by the State of Tamil Nadu and its tax payers. This has caused an extremely unfair situation on the ground, where it is not financially viable for other DPOs to operate in Tamil Nadu.

To avoid this and other situations, predatory pricing must be disallowed, so that the industry can operate and grow in a sustained manner.

Disallowing any DPO bouquet and any other form of discounting, will ensure an even playing field for all – Broadcasters & DPOs. It will also disable political capital being made at the tax payer's expense & to the detriment of the privately owned DPOs & the industry.

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

ANS:

- Pay Channels Delivered (To DPOs & Consumers) Only On A-La-Carte Basis
- No Discounts Permitted On Declared A-La-Carte Prices
- No Bouquets Permitted (By Broadcasters Or DPOs)
- No NCF Discounts Permitted

Just these measures, will 100% ensure that Unwanted Channels are not pushed to consumers

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?

Yes, a bewildering number of bouquets are being offered (more than 200 bouquets), effectively confusing the consumer.

As suggested above, No Pay Channel Bouquets should be permitted, by broadcasters or DPOs. This resolves the problem with simplicity and comprehensively, leaving no loopholes.

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

ANS: No Pay Channel Bouquets should be permitted, by broadcasters and DPOs.

This resolves the problem with simplicity and comprehensively, leaving no loopholes.

It results in an easy to understand and implement Pay Channel choice for consumers, and an uncomplicated Revised Tariff Order that the lay person can comprehend.

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?

Yes, the price of individual channels gets hedged in bouquets.

Corrective Measures:

- Bouquets should be disallowed.
- No Discounts Permitted On Declared A-La-Carte Prices

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?

ANS: Once there are No bouquets, there need not be any price regulation or any channel price cap (of A-La-Carte) channels. Remove all price Caps on Pay channels. Let broadcasters decide what they want to price their channels. The consumer will decide if that price is acceptable, and the Pay channel will accordingly be forced to revise their prices as per market demand, A True Free market scenario. No Broadcaster can complain about that. However, Free pricing can ONLY go with NO Bouquets, and only A La Carte pricing of Pay channels, with no discounts permitted on the declared a-la-carte prices.

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?

ANS: Bouquets – particularly without the originally proposed bouquet discount cap - have completely negated the NTO and even the basic purpose of deploying Digital STBs.

Due to grossly inflated a-la-carte prices (See Figure 3.1) consumers have not been empowered to select only the channels they want to view.

Current permissible bouquets have proved anti-consumer and are the main reason why consumers are protesting against the New Tariff Order.

Hence all Bouquets must be disallowed.

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

ANS: Due to grossly inflated a-la-carte prices (See Figure 3.1) consumers are financially compelled to opt for bouquets containing channels they do not want.

The consumers is thrown a choice of more than 200 Bouquets & 400 FTA channels, and often DPO website does not even list all the bouquets offered. Diverse links are provided to various websites of broadcasters.

The consumer then is pushed to select one or two large bouquets of pay channels that are promoted on the DPOs' website. Typically, more than 50% of pay channels in such inflated bouquets are of no interest to the consumer.

Still the consumer is forced to pay NCF on all channels in the selected bouquet – a double penalty for the consumer. The consumer is required to selected a-la-carte only, more than 400 FTA channels. This discourages casual viewing of FTA channels, and is detrimental to FTA channels.

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

ANS: Yes, Broadcasters' & Distributors' bouquets have made the consumer helpless in selecting specific channels of their choice.

The current system of unregulated bouquet discounts must be scrapped. We in fact believe that any bouquets permitted will be used against the consumers' interest and reduce his free choice of individual (a-la-carte) channels.

Offering pay Channels only on a stand alone (A-La-Carte) basis will finally empower the consumer, as promised (“Select & pay for only the channels you want”) when DAS was compulsorily rolled out and consumers were told to pay for their Digital STBs.

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

ANS: More than 25% of Indian Homes are illiterate. Selection and payment for selected channels must be made easy to comprehend for Indian TV viewers. Currently, selection of channels and computing the resultant cost under the New Tariff Order, is more complicated than filing an individual’s Income Tax returns!

The New Tariff Order has become an unwieldy patch work of rules that leave loopholes, which have been misused, at the consumer’s expense.

Hence, SIMPLICITY is the Key criteria. Simple selection of channels is essential for consumers. For this we suggest the following:

- Pay Channels Delivered (To DPOs & Consumers) Only On A-La-Carte Basis
- Discounting of A-La-Carte channels should Not be permitted
- No Bouquets shall be Permitted (By Broadcasters Or DPOs)
- No Multi TV Discount
- No Long term Discounts
- No Discounting Of NCF
- NCF in only 2 Slabs:
 - Rs 100 + tax NCF for up to 100 SD Channels (1 HD = 2 SD Channels)
 - Rs 150 + tax NCF for unlimited number of channels
- Must carry Channels Not Included In NCF.
They must be delivered free, as long as at least Rs 100 NCF (+Tax) is paid.

While some of these measures have been elaborated above, the others will be explained and re iterated below.

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

Multiple STBs in the same home usually serve completely different audiences, viz: parents, kids, elderly and home staff. The pay channel needs for each are quite different.

Broadcasters should not be permitted to offer inflated bundles that serve all these diverse viewers, yet are under-utilised by each viewer category. As an example, children’s channels are not typically viewed by parents or the elderly, and there is no reason why they should be subscribed on multiple STBs in the same home.

Same Home, Multiple TV / STB Discounts Should Not Be Permitted

Since we suggest no aggregation of TV channels in bouquets and all channels to be sold un-discounted as standalone channels only, there should be no multi TV / STB discount.

This will also significantly simplify tracking and computing cable TV/ DTH charges to the consumer.

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.

As mentioned earlier, to maintain a level playing field & disable predatory pricing, no NCF discounts should be permitted.

- Every STB (even additional STBs in the same home) must pay the same NCF :
 - Rs 100 + tax NCF for up to 100 SD Channels (1 HD = 2 SD Channels)
 - Rs 150 + tax NCF for unlimited number of channels

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?

ANS: Multiple STBs in the same home usually serve completely different audiences, viz: parents, kids, elderly and home staff. The pay channel needs for each are quite different.

Broadcasters should not be permitted to offer inflated bundles that serve all these diverse viewers, yet are under-utilised by each viewer category. As an example, children's channels are not typically viewed by parents or the elderly, and there is no reason why they should be subscribed on multiple STBs in the same home. There could be a handful of common channels that would be subscribed a-la-carte by diverse viewer segments. For simplicity & ease of implementation, no discounts should be offered for channels subscribed on multiple STBs in the same home.

Hence, Broadcasters should not be permitted different MRPs for Pay channels to multiple STBs in the same home.

Multiple STB discounting is a form of Horizontal bouquets, and should not be permitted. It will most certainly be misused by Broadcaster and possibly even DPOs.

All Rates must be maintained uniform. No direct or indirect incentives should be permitted by any broadcaster or DPO to maintain transparency, uniformity & avoidance of a plethora of options that will only confuse the consumer.

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

ANS: Once Pay channels are offered only a-la-carte, on each STB, without any permissible discounts, each STB automatically receives a choice of any Pay Channel.

Hence to answer the question: Yes, distributors should be mandated to provide an a-la-carte choice of channels, without any (Pay Channel or NCF) discount, to a multi TV connection home.

Q18. How should a long term subscription be defined?

ANS: No Discounted Long Term subscriptions should be permitted. This will help keep the tariff order simple & without convoluted options.

TRAI can review this after a minimum period of 12 months after a revised tariff order is implemented.

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?

ANS: No Long Term Discounts should be permitted by DPOs.

This will also ensure that DPOs continue delivering quality service month after month to consumers, and not take their customers for granted, once they commit to any extended service period.

Also, the tariff order needs to be simple without convoluted options.

TRAI can review this after a minimum period of 12 months after a revised tariff order is implemented.

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

ANS: No Long Term Discounts by broadcasters should be permitted.

This will also ensure that Broadcasters keep delivering quality content, month after month to consumers, and not take their customers for granted, once they commit to any extended service period.

Also, the tariff order needs to be simple without convoluted options.

TRAI can review this after a minimum period of 12 months after a revised tariff order is implemented.

Channel content may change significantly within 12 months, and it is in the interest of the consumer that he makes an intelligent choice, based on the content he receives. Hence long term subscriptions and long term discounts should not be permitted by broadcasters.

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?

ANS: TRAI has accepted that both, Placement Fee & Carriage Fees are legitimate sources of revenue by DPOs.

Hence there is no reason to restrict or disallow Placement Fees, as long as they are levied in a transparent and uniform manner for all channels on the network.

For decades the Print Media has been selling its cover page at a premium, and there are buyers for it. In fact, the print media monetises each of its pages via special position ads.

There is no reason why the DPO should not be permitted to monetise both placement & carriage of channels on its own network.

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

ANS: Listing of channels in the EPG should not be regulated. Placement fee has not and should not be regulated.

TRAI should consciously avoid getting into micro-regulating operations, as it will invariably lead to counter measures by the parties whose business is being micro-regulated.

Broad regulations should be put in place and adhered to on a long-term basis, allowing players certain liberties in their operations.

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

ANS: As mentioned in the above responses:

- No Discounts Permitted On NCF
- No Bouquets Permitted for Pay Channels
- No Discounts permitted on declared A-La-Carte rates.

The simplicity and transparency introduced by the above, is consumer friendly.

Distributors should not be permitted to offer promotional schemes on NCF, DRP of channels.

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?

ANS: No Schemes are permitted by Broadcasters, Distributors or DPOs.

This is an extension of the approach to retain simplicity, as well as avoid micro regulation and subsequent counter measures by industry players – the Cat and mouse game we have referred to in the preamble to our response to this consultation, must end.

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

ANS: No consumer safeguards, or patchwork restrictions are required if the holistic solution presented by us here, is implemented.

No schemes shall be permitted, and hence no possibility of consumers being trapped by any scheme.

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

ANS: To maintain simplicity, transparency and uniformity, a common & fixed (no discounting permitted) NCF must be implemented countrywide for all DPO Platforms:

- NCF in only 2 Slabs:
 - Rs 100 + tax NCF for up to 100 SD Channels (1 HD = 2 SD Channels)
 - Rs 150 + tax NCF for unlimited number of channels

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/-?

ANS: The current NCF formula is too elaborate to track.

Further, the un-ending incremental NCF for additional channels discourages the take up of Free To Air Channels for casual viewing or even exploring / sampling diverse genres of 350+ channels available FTA in India. Also consumers are required to select each FTA channel a-la-carte only! This is unfair to all FTA channels, who do not receive adequate visibility during the selection process.

As a solution on both the above counts, we suggest:

- NCF in only 2 Slabs:
 - Rs 100 + tax NCF for up to 100 SD Channels (1 HD = 2 SD Channels)
 - Rs 150 + tax NCF for unlimited number of channels

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

The list of compulsory channels has swollen to 24. These include several regional language channels which are generally not of interest to everyone. However, given the cultural diversity of consumers in towns and cities which are turning increasingly cosmopolitan, it is desirable to carry all the compulsory channels.

However, consumers must not be burdened with the NCF for compulsory channels that they do not watch.

Cable TV & DTH licenses already dictate that DPOs must distribute these channels.

We therefore recommend:

- Must carry Channels Not to be included when computing NCF.
They must be delivered free, as long as the minimum NCF is paid.
- The number of Mandatory channels may be changed by the MIB from time to time, without restriction

Simplicity is once again preserved with this solution. Interest of the Government is also served.

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?

ANS: As explained above, exclude the Mandatory Channels from the NCF computation & No Recommendations are necessary to the MIB.

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

ANS: MSO – LCO SHARING OF NCF

A major issue not addressed by the regulator's questions in this consultation, is the sharing of revenues between the MSO and LCOs.

Compared to approximately 1,100 MSOs countrywide, there are over 20,000 LCO entities, employing over 100,000 people in both rural & urban areas. These LCOs form the backbone of Cable TV distribution, delivering TV entertainment and personalised services to more than 80 million Indian homes.

1. A quick glance through the public statements and financials of publicly listed MSOs reveals that their revenues and profits have spurted very significantly post the New Tariff Order. Most listed MSOs even have publicly stated this in their financial statements to the bourses, projecting optimistic earnings in future. This is good for the industry.

However, in sharp variance, Post NTO, LCOs are protesting that their revenue share is below sustenance levels. They lack funds to adequately service their customers to the levels required by TRAI's QoS norms. As a result, LCOs have no earnings to plough back into upgrading and extending their networks. LCOs provide the extensive "Last Mile Connectivity" essential for wired distribution. The combined cost of the LCOs distribution plants, and the daily operational effort far exceeds the distribution costs incurred by MSO.

2. As its name suggests, the Network Capacity Fee (NCF) is a fee for utilisation of the distribution network. Most of this distribution network is owned and operated by the LCO.
3. Pay TV collections have shifted significantly to the "Pre-Paid" model, where MSOs directly receive payment advances from consumers. Collections and realisations for the MSO now exceed 90%, as per the MSO's own statements to the bourses.
4. The currently enforced NTO provides **55% of the NCF to MSOs with only 45% to LCOs. This share declared by TRAI is probably a rare if not unique case where a Wholesaler (MSO) is provided a larger commission than the retailer, for an activity that is essentially retailing.**

Clearly, a re-think is required.

100% Of The NCF Should Accrue To The LCO

We propose that:

- LCOs should be allocated 100% Of the NCF collected from Consumers
- Other revenue share between MSO and LCO should remain in accordance with the (current) New Tariff Order.

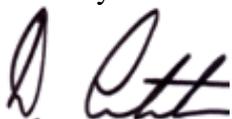
OUR PREAMBLE & SUBMISSION

We have submitted a long Preamble, because it was felt necessary to declare a complete and holistic solution to the current issues faced and concerns expressed by consumers, before responding piece-meal to the consultation's queries.

As a result, a significant portion of the preamble has been repeated as answers to the 29 specific questions listed by the regulator.

We request that our preamble also be treated as our submission here, under Question 30, so that it receives the serious consideration it deserves.

Thank you.



Dinyar Contractor

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