

COMMENTS ON TRAI CONSULTATION PAPER No 7 of 2010

On

ISSUES RELATED TO TARIFF ON CABLE TV SERVICES IN CAS NOTIFIED AREAS

By

Lt Col (Retd) VC Khare, Cable TV Industry Observer

1. Should there be only two broad tariff regulatory frameworks, one for analogue non-addressable (Non-CAS) and another for digital addressable systems.

The answer to this issue at present is Yes!

But this is without prejudice to digitization of Headends to deliver content, FTA as well as PAY TV, whether encrypted or not, but addressable through facility of enabling or disabling viewing remotely from Headend

This paper is dealing with CAS notified areas, wherein transmission of PAY TV content is mandated in addressable encrypted form, i.e. requiring an interface called Set Top Box to view such encrypted content on TV sets existing on date of notification of the area. Encryption is possible in analog system also, but has lost its significance because the number of PAY TV channels permitted for down link exceeds the capacity of Cable TV networks to accommodate them in analog spectrum width in the 47-862 MHz Band. Hence digitization with compression has been necessitated for transporting PAY TV as well as FTA content on existing uni-directional Cable TV networks. However, the mandate of providing 30 FTA channels, to be viewed without using a set top box in CAS notified areas prevails.

*De-facto, two tariff regulatory frameworks are already in existence, in the notified CAS domain, **One** pertaining to analog FTA (30 channels, or more, in principle) and **the other** pertaining to PAY TV, which circumstantially has become digital now. This situation is likely to continue till Cable Act is amended.*

2. If yes, should such a framework be same for wholesale and retail.

Subscription revenue incidence is on the end viewer. Therefore, the issue, in the main, is retail. Wholesale should be left to market forces and negotiated agreements.

3. If no, why it should be different?

4. Should usage of STB be mandated in CAS notified areas for viewing both FTA? and pay channels?

No!

Use of an interface (Set Top Box) to access encrypted digital TV signals over analog TV receivers is a technical compulsion. Cable Act Amendment 2002 must be respected on obligation to provide 30 FTA channels without requirement of set top box. For viewing FTA content, over and above these 30 obligatory channels, if digitized to enhance network transportation, should be left to market forces. Even if a viewer does not order even one PAY TV encrypted channel but acquires a set top box, viewing digital FTA content would be possible.

5. Which of following method should be used to regulate the tariff ceilings for basic? service tier in CAS notified areas?

a. By providing periodic inflation linked adjustment in the present ceiling of Rs.82/- (excluding taxes) per subscriber per month.

Yes!

b. Forbearance

No!

c. Any other method you may like to suggest.

Earlier calculation of Rs 70/- was erroneous technically. If conformity to IS 13420 was to be ensured for the spectrum 47-862 MHz, the radius of operation would get confined to 4.8 Kms over 500 series coaxial cable with amplifier cascades not exceeding 16 when placed 300 metres apart. The erroneous calculation was based upon this radius as 8 kms. Hence by extra-polation, of calculation by staff from Ministry Of Finance, that figure would have been Rs 112/- based upon

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networking costs. Further size of subscribers on Headend service was taken as 30000. This figure was not more than 20000. By that extrapolation also the figure would have been Rs 105/-.

Now the scenario has changed, HFC (Hybrid Fiber Coax) networking is in vogue. Radius of operation in coax segment has reduced to 1 km. Hence fresh estimation needs to be done with enhanced costs of retail price index and transportation costs with devaluation of purchasing power of the rupee.

6. Which of following method should be used to regulate the retail tariff for pay? channels in CAS notified areas?

a. By providing periodic inflation linked adjustment in the present ceiling of Rs.5.35/- (excluding taxes) per pay channel per subscriber per month.

No!

b. Single ceiling across all genres. If so, what should be that ceiling?

No!

c. Different ceilings for different genres. In such case what should be the genres and what should be their respective ceilings?

Genres should be News (Hindi, English and Regional), Entertainment (Hindi, English and Regional), Religious(Hindi English and Regional), Kids, Lifestyle, Science and Art of Living, Nature Studies, Music and Sports. Their ceiling per channel should be a maximum of 50% of the price of bouquet. These prices should be reviewed annually for five years, and thereafter left to market forces. PAY TV Broadcasters would then be at liberty to fix prices of their dicta, whereas the viewer with 'a-la-carte' selection would pay on affordability. Over priced content would the either forced to shut down or turn FTA.

d. Forbearance

No !

e. Any other method you would like to suggest

Broadcasters have not, so far, been asked to reveal their basis for costing of channels in terms of transportation cost, access cost, content cost and reasonable contribution. This should be mandated. Once cost is revealed per channel, the figure should be divided by 50% of the target homes (for example 45 million for cable homes). After all, reach of 90 million homes is being quoted for seeking advertisement revenue. Thus indexing can be done for review every year.

7. Should a relation between a-la-carte and bouquet price be prescribed to prevent perverse pricing? If, so what should be the relation? Should it be different for? broadcaster and MSO?

This would be contrary to the statute, wherein 'a-la-carte' is stipulated. The price should be on MRP basis for end viewer. Margins for broadcaster and MSO (Should be addressed as CAS service provider) shall have to be derived out of the aggregated subscription revenue.

8. How should the retail tariff for advertisement free channels be regulated in? CAS notified areas? Should it be different from other pay channels?

There are no advertisement free channels in the Indian Cable TV scenario at present. However if recorded replays of once televised content is permitted in time deferred VAS, with provision to rip the advertisement, then the tariff for such replays should be double within 30 days, 1.75 times within 60 days. 1.5 times within 90 days and same rate as current retail after 90 days. Provision needs to be made to disable copying. Where PVRs are deployed, clock message should be sent for content to erase after 24 hours.

9. How should the retail tariff for niche channels which requires specialised

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STB be regulated in CAS notified areas? Should it be different from other pay channels?

This is a short term problem. When niche displays such as High Definition is available, HD compatible STBs would be required. Their cost or rentals would in any case be higher. The pricing would depend upon transportation costs escalation, since lesser channels will be packed in one 7 or 8 MHz spectrum slot. Further content cost would depend upon TRP ratings. Govt should concentrate on regulating prices for 'Aam Admi' i.e. 'Bahujan Sukhay – Bahujan Hitay'. Niche content pricing should be left to market forces, since the proportion would be very small to start with. In any case, in CAS notified areas, 'a-la-carte' option would round off all sharp edges in pricing mis-match.

10. Should there be any provision of minimum period of subscription for pay channels? If, yes, what should be that period?

No! This is a practice in vogue by sports channel and runs contrary to the statute. Bi-directionality of Cable TV systems should be encouraged, with pricing depending upon impulse value at that time of selection and affordability of the viewer.

11. How should the tariff for supply of STB be regulated?

a. Continue with the presence system. If so, should there be any modification?

Current system was based upon popularising CAS with addressability and inventory carrying cost of over 5 million boxes imported in 2003 but not deployed till 2007 due lack of political will. At present Set Top Box is provided by DTH, IPTV and Non-CAS area Digital Cable TV operator almost free of cost to the subscriber. (Amortization costs are borne in service charges). Present system has also led to provision of cheap, and hence inferior quality set top boxes. Therefore, present system needs to be scrapped

b. Left to the market forces.

Yes!

c. Any other method which you would like to suggest.

Provision should be made to design and manufacture inter-operable set top boxes without embedded CAS, and supply of CAM modules. These boxes should be made available at any TV retail outlet, to be procured by the viewer as outright sale, hire purchase or lease. The box purchased should be got activated by headend service provider, without any commitment to restoration of serviceability of the set top box, unless resourced through headend service provider

12. How should the sharing of revenue from pay channels subscription between broadcaster, MSO and LCO be regulated?

a. Continue with the present arrangement. If so, should there be any modification?

No!

b. Left to the market forces.

Yes! But governed by TRAI guidelines.

c. Any other method which you would like to suggest.

Through registered interconnect agreements based upon guidelines issued by the regulator.

13. How should the sharing of revenue for basic service tier between MSO and LCO be regulated?

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a) Left to the market forces.

No!

b) Any other method which you would like to suggest.

60% LCO and 40% Headend Service Provider (MSO) with duly signed interconnect offer

14. Any other related issue, you would like to comment upon or suggest.

*There are two basic issues that lack transparency in public domain. **First** is the basis for arriving at per channel, per subscriber and per month price demanded by PAY TV Broadcaster. **Second** is the access cost paid by LCO to Headend Service Provider. Once these are available for scrutiny and dissemination to end viewer, addressability with digitization of Headends will lead to clarity in business fund flows.*

Multi-channel delivery over the wireline (fiber, coaxial copper or twisted copper pair Cat5e) is a point to multi-point, multi channel broadcast. However, in Cable Networking it is not so recognized. Hence it is not granted the status of Broadcast i.e. a Central Govt subject. This is left to State Govts, un like Telecom. Hence there is diversity in taxation and administration. This can only be resolved if the Ministry also acknowledges this fact and brands Cabled Broadcasts as a Central Govt subject.

Except Chennai. the other partially CAS notified areas, Kolkata, Delhi and Mumbai have been subjected to dual illumination of optical fiber trunks. In a ring topology, from the same headend, one fiber carries encrypted PAY TV content alongwith FTA, while another fiber carries un-encrypted content like non-CAS areas. Both fibers are contained in the same strand and hence lead to tapping of un-encrypted content at nodes operated by cable operators in CAS notified area too. This violation is neither detected nor prosecuted. But this practice causes loss of revenue for Broadcasters and tantamount to mockery of the statute. It is high time due notice is taken and remedial measure of implementing CAS in the whole territory or scrapping CAS in partial areas too, is taken.

Neither the STBs nor the EOL(End of Line) specifications are being conformed to Indian Standards. Agencies like BECIL should be requisitioned to audit and certify conformity to Indian Standards or report lack of compliance. Such audits and certification cannot be a one time exercise. This could be made periodic at specified intervals.