Counter Comments

On Consultation Paper

"TARIFF ISSUES RELATED TO TV SERVICES"

BY

ASIANET SATELLITE COMMUNICATIONS LTD

Mr. S.K. Gupta,
Principal Advisor (B&CS),
Telecom Regulatory Authority of India
New Delhi.

Sub: Counter Comments on the consultation paper: "Tariff Issues related to TV services"

Dear Sir,

We once again welcome the efforts of the Authority in issuing the consultation paper on the Tariff Issue related to TV services.

Based on the response of stakeholders, we would like to offer our counter comments as appended below.

Yours Sincerely,

For Asianet Satellite Communications Ltd,

G.Sankaranarayana
President & COO.
(sn@asianet.co.in)

	Comments of respondents	**Counter comments of Asianet**
Q 31-35(reg carriage /placement/marketing fee)	Zee/ SUN: As number of digital channels increase the carriage fee should come down as the two are inversely related	It is to be noted that MSO / DPO has invested huge amounts (in a few crores) on Digital Headend and also the STBs to deliver more channels. The MSO can get returns on the investment only if the carriage fee is adequate or subscription has to go up steeply to compensate . Since MSOs are already incurring huge losses, regulation of carriage fee will adversely affect subscribers in terms of poor QOS and steep hike in the subscription. It is clear that no Indian MSO is getting returns even after digitalization due to increase in subscription amount paid to broadcaster and dip in carriage fee.
Q 31-35(reg carriage /placement/marketing fee)	Zee: Carriage is not applicable to "must provide" channels	We humbly request the authority to review this regulation in view of the following : a) While Broadcaster charges for the subscription from MSO, it may be noted that MSO also provides a service to the broadcaster and it should be left to both –Broadcaster and MSO to get into a negotiated agreement. b) In Digital Addressable System, MSO needs to allot bandwidth for a channel even if a few subscribers subscribe to the channel on a la carte basis and

		will not be economical for the MSO to caary the channel on subscription alone. Hence, both parties can arrive at an agreement based on negotiation.
	DPOs should publish their RIOs on their website transparently including LCNs etc on non discriminatory basis	i) Carriage is a B2B transaction like advertisement deals between broadcaster and agency which are negotiated, even while there is a card rate. Actual price depends on a lot of factors and should be left to the parties to finalise. ii) The transport cost of channels is proportional to number of LCOs connected and the distance not the number of STBs. For example, Asianet has taken about 30 leased lines from Telcos to connect to various groups of LCOs and it is a fixed cost and is not dependent on number of STBs at destination. (unlike a broadcaster who incurs uplinking cost / transponder cost to beam to the entire country). Hence, carriage fee has to be a negotiated amount based on circumstances. iii) As DPOs are not getting the returns on investments from subscription and also the carriage fee, choking the MSOs with tariff regulations at retail level as well as for carriage fee (which is a B2B transaction only) will cause irreparable damage to MSOs.

		iv) It is to be noted that the carriage and placement fee agreement with one broadcaster is not comparable with another as the terms of broadcasters vary widely in terms of: a) Absolute LCN (101, 102 etc) b) Genre c) Neighboring channels (relative position compared to a leading channel) d) Distance from landing channel (the closer to the landing channel, the better viewership the channel will have) e) Payment terms – annual in advance / monthly f) Support in terms of hardware like encoder g) Duration of agreement (longer the duration – the terms may be flexible) h) Popularity of channel i) Age of channel (New channels need more publicity and can afford more as they need to gain more visibility) j) No. of channels from the broadcaster – current and prospective (quantity discount) k) Demand vs supply etc Uniform pricing is applicable for same services like channel Subscription to a subscriber as content is same for all but not for carriage/ placement of channels

		v) In an economy where there is a dynamic pricing for even seats on a flight and prices between broadcasters and advertisers are flexible depending on demand and supply, a rigid approach on tariff fixation for a B2B carriage transaction will suffocate the MSO industry which is already struggling.
Q 31 to Q35(reg carriage /placement/marketing fee)	Star/ Zee/Sun/Viacom: Placement and Marketing fees should be subsumed under discount on subscription	Such a provision in the subscription will lead to discrimination by broadcasters. While the product offered by the broadcaster on subscription is uniform and can not be differentiated between the subscribers and hence should be priced same (except quantity discounts), the placement / carriage service offered by MSO to broadcaster varies based on factors mentioned above.
Q 31-35(reg carriage /placement/marketing fee)	Viacom 18: Carriage is not justified as there is no scarcity of bandwidth in Digital TV system	a) The digitalization has increased channel capacity but digitalization took place because MSO invested huge amounts on Headend and STBs. The MSO deserves to get returns on the investment made. b) While there are about 900 channels on air, MSOs are carrying 250-300 channels and a lot of investment is needed to enhance the capacity which will only come from carriage fee as MSOs continue to incur losses from subscription businesses. c) With more channels becoming HD, the bandwidth needed is increasing as

		HD needs 75-100% more bandwidth compared to SD. This leads to increase in cost of transport to connect to LCOs which are sometimes thousands of Kilometers away from MSO's headend.
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Q1) Tariff Model at Wholesale level	Zee: Price forbearance at whole sale level after 2 years from now.	The current RIO rates in DAS are linked to analog rates which is based on estimated under declaration. RIO rates are too high compared to the ground rates and unless reduce steeply, can lead to huge burden on subscribers. Current high RIO rates provides a lot of room for broadcasters to discriminate against DPOs.
	Zee: Bundling of channels to be allowed at whole sale level	The ills of the industry will continue with unwanted channels being pushed to the subscribers with driver channels. Reducing the RIO rates will give the much needed boost to a la carte system - which is the objective of DAS.
	Zee: RIO rates for a channel can be different for different regions for mass channels (Hindi & regional) on non discrimination basis.	This can be considered.
	Star: Proposed RIO rate of Rs.12- 18 per subscriber per month during transition to DAS	The new RIO rate fixation should consider that: a) A la carte system which is the foundation of DAS failed to take off due to high RIO prices.

		b) The Authority may kindly fix price caps based on 3 times the average channel cost based on the bouquet CPS rates. (If a 25 channel bouqet is offered at a CPS of Rs.25, average channel cost is Re 1 and MRP should be Rs.3)
	Star /Zee: Wholesale discounts to be allowed upto 33% - 40%	Discounts lead to room for discrimination. Instead of discounts, it is recommended to reduce the RIO rate at wholesale level.
	Star/Zee/Viacom/Sun: Carriage fee to be subsumed within the recommended 33-40% discount	Carriage fee not to be linked to the Subscription and be allowed to be decided between broadcaster and DPO on case to case basis. The band of discount some respondents want will lead to discrimination
Q2 On Retail Tariff model	Star: Maximum discount on Multi broadcaster retail bouquet to be capped at 33% vs 66.66% allowed under regulation	The existing discount regulation of 66.6% is to be implemented wef 1/4/2016 and any move to reduce this even before implementation is not correct.
Q2 On Retail Tariff model	Sun TV/ Viacom: Minimum Monthly subscription fee comprising pay channels to be revised to Rs.250 from Rs.150	We welcome this suggestion.
	Zee/ Viacom: Price Forbearance suggested in retail	We welcome this suggestion as there is high competition between DTH and MSOs and HITS on the ground which is not only protecting the consumer but affecting the DPOs adversely.

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Q5 – Integrated Tariff Model	Sun: Indian Consumer is not ready for integrated model	Crores of consumers and millions of retailers are used to MRP concept for several products – including Telecom services, with discount structure at retail and Distributor level There is no reason why this will not be accepted in TV services. This will eliminate the number of disputes which is not present in other industries including telecom in the distribution chain.
	Star: Distribution Network model is like telecom prepaid model of access fee which was done away with .	In Cable TV, there is an investment made into the consumer home in terms of Cable and STB and it is essential to get return on it unlike in Telecom prepaid where there is no CPE invested by Telco. Also, a minimum number of channels are also given for the rental fee paid.
	Zee: MRP based model failed in CAS in 2006 and should not be attempted.	It is not appropriate to ascribe the success or failure of CAS in 2006 to MRP model. There have been a lot of positive developments in the recent past which resulted in completion of 3 phases of digitalization. When every product (including the mobile recharge coupons) is sold on MRP basis in the country which brings transparency, the same should be welcomed in TV services.
	Zee: MRP based model is premature as MSOs are not providing SLRs / subscriber data.	Regulation should prescribe action against those MSOs who do not provide SLRs rather than preventing a progressive tariff model..

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Q11 to 19) regarding channel pricing.	Viacom: Keep the existing price caps on the channels and allow yearly revision & allow max 50% discount to DPOs STAR: Price forbearance and keep Price caps high to allow monetization. Recommending Rs.12-18 as price caps for GEC/Sports/movies Star/zee : Opposes TRAI inclination to offer discount on current average price of each genre	Current price caps are arbitrary based on analog era with high under declaration and the reality is far different in the DAS era as seen in the prevailing CPS rates – steeply discounted from the published rates. Instead of sticking to high artificial rates which are prevailing for too long, it is time to reduce the price caps in line with current realization of prices which are about 90% below the current price caps. Authority may kindly examine the prevailing agreements for CPS rates and arrive at the average rate per channel and multiply by 3.
	Star: Allow cumulative discounting cap of 33% including bundling	Discounting based on bundling will lead to discrimination. Instead the a la carte rates can be reduced through reduction in price caps.
		To ensure that the reduction in the whole sale prices do not hurt the MSO – LCO earnings further to maintain the network, the a la carte pricing by the MSO should be capped at 4 times (instead of current 2 times as per twin conditions) the whole sale price offered to MSO

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Q 20- Q 24) regarding Niche Channels	Zee: A channel with less than 5% viewership to be treated as Niche channel.	On a la carte basis, several mass channels will also have less than 5% subscribers which will keep them out of price regulation. The threshold can be kept at 1% of the sub base.
	Sun: Kids channels may be classified as Niche	We disagree as Kids form a large segment of population and will be 1% of viewership suggested as threshold.
Q 25- Q27) Pricing of HD channels	Sun/Viacom 18: HD channels should be treated as niche channels and price forebearance should apply. Zee: HD channels should be on price forbearance	Several HD channels carry the same content as SD and several of them are targeted at masses. HD is only a change in format and there should be price caps for HD at 1.5 times SD price.