

BBC Global News India Private Limited

(Channel- BBC World News)

At the outset, we would like to express our gratitude towards Telecom Regulatory Authority of India (henceforth "TRAI") for bringing out a comprehensive consultation paper on the subject of tariff. We appreciate the efforts made by TRAI in formulating a comprehensive tariff order in this regard.

We would like to offer our comments to the proposed Telecommunication (Broadcasting and Cable Services) (Eight) (Addressable Systems) Tariff Order, 2016 as under-

Pricing of the channel

The ceiling on maximum retail price for the pay television channels in news and current affairs genre has been kept at Rs. 5/-. We are of considered view that while determining the ceiling on maximum retail price of a particular genre, the current level of effective price of the channels should also be taken into account. Considering the packaging of pay channels in bouquets on one hand and making them a viable option on a-la-carte basis for subscribers on the other hand, the broadcasters will be required to price their channels in such a way so as to achieve reach and sustain revenues. The broadcasters of channels like us which cater to a niche audience will be more affected by this. We are of opinion that the price of channel is mainly driven by following three attributes-

(i) Choice of consumer- Price of any channel is mainly influenced by the demand of consumer for that particular channel and its content. In case we want to promote the a-la-carte model of offering channels to the consumers, there is a need to determine the most attractive price for a particular channel for the subscriber. Consumer may be willing to pay more for a channel carrying local content than a channel carrying multi geography content. In this scenario, will it be prudent to create sub-categories within the news and current affairs genre so as to provide a level playing field to broadcasters to price their channels and thereby ensuring preferred content for the consumers.

(ii) Preference of distributor- Since the distributor can combine a-la-carte pay channels of various broadcasters into one bouquet, the price of every pay channel forming part of the bouquet becomes an important point of consideration for the distributor. More the price of individual channels, the more is the price of the bouquet which in turn will make it expensive for the consumer to afford the bouquet. The current market is bouquet driven and there is a very scant demand from subscribers for a-la-carte channels.

(iii) Distribution & carriage fee- The mandatory levy of distribution and carriage fee is an additional burden on broadcaster. Presently, there is no provision for mandatory fixation

of distribution charges. Both, distribution charges and carriage fee taken together can be levied upto 35% of the maximum retail price of the channel. This will reduce the revenue of broadcaster from bouquet subscription and further more from a-la-carte subscription, if any.

Our suggestion is that the distribution and carriage fees should be levied on the current effective price so that the current revenue of pay broadcasters like us is sustained.

Subscription Report

The aim of TRAI is to usher in transparency and protect interests of the consumer. It seems that the consultation paper is based on presumption that there is transparency in the market and correct numbers are being reported. The revenue of broadcaster will be based upon subscription base declared by the distributor. It is pertinent to mention here that the Broadcasters are invoicing the distributors on basis of subscription reports prepared by the distributors. In case of any dispute or issue with the declaration, broadcaster challenges the report in legal forum and gets the audit done. It has been observed that the results of the audit have not made much difference. Keeping in mind the current vagaries and since the intent of TRAI is to put an end to fixed fee deals, we would like to know that how would TRAI make sure that correct numbers regarding subscribers universe are reported by the distributors?

Audit is a yearly exercise and may not be of much help in normal course of business.

Bouquet by distributor

It is mentioned in the regulations that every distributor shall offer bouquet of channels formed by broadcaster available on its platform without any alteration. Though, currently there is a provision for a-la-carte subscription but same is not used by the consumers, bouquets are made more lucrative therefore bouquets are subscribed by consumers. Henceforth, broadcasters have to make their price realistic as distributor is not going to commit fixed fee, on the contrary he is going to pass on the subscription collection which depends on consumer subscription. We believe that even after the proposed regulation, the distributor will be more inclined to make bouquet of the channels and offer the same to consumer as consumer likes to have a mix of distinct channels rather than opting for a-la-carte.

Premium channel

While at one hand, TRAI has proposed to regulate the tariff both at the wholesale and retail level, on the other hand it has introduced the concept of forbearance for premium channels which can be subscribed only as an a-la-carte channels without being part of any bouquet. Going by the current scenario, we do not see much takers for this as the revenue for broadcaster completely depends upon subscription numbers reported by

the distribution platform. Also, it is important to understand that the Indian subscribers at present are not too prone towards individually subscribing to channels. For that matter, we believe that at the moment, it is not feasible for even mainstream broadcasters with multiple channels to go for this option.

Basic bouquet by broadcaster

It is mentioned in the draft regulations that the distributor shall provide a set top box to every subscriber with a capacity to receive 100 SD channels. It has also been provided that within such capacity of 100 SD channels, apart from channels notified by Central Government which are to be mandatorily provided to subscribers, a subscriber shall be free to choose any other FTA channel, pay channel, bouquet or premium channel. It is further mentioned in the draft regulations that distributor shall offer one 'basic bouquet' of 100 FTA channels including channels notified by Central Government. Does this mean that this basic bouquet will be covered within the capacity of 100 SD channels required to be offered by the distributor or it is separate?

Must Carry- free packaging

The provision of Must carry is a welcome step as must provide is already in place. However, what constitutes 'first comes first basis' is matter of debate and we believe should be clearly defined in the regulations. What happens in case a distributor has more than 100 FTA channels on its platforms? Regulator has to confirm first come first basis is based on channel license date or date of presence of the channel on particular platform. If it's as per platform then the date will vary platform to platform. Otherwise, we are of opinion that in its present form, first serve first basis will give rise to more litigation.
