

## **ENIL (Radio Mirchi)'s response to TRAI consultation paper on Digital radio transmission**

### **5.1 Is there a need to encourage or facilitate introduction of digital radio transmission at present? If so, what measures do you suggest and in which market?**

We believe that India must take a modern view of all issues related to technology. We thus support the government's initiatives in moving towards digital transmission of radio signals.

However, in doing so, the government must ensure that private broadcasters, who have supported the government's initiative on expanding coverage of FM radio across the country, are adequately protected against sudden and unexpected disruptions caused by the move to digital transmission. It would be unfortunate if the government, after collecting thousands of crores of rupees in Phase-3 auctions and renewals of Phase-2 licenses only recently, undertakes actions that jeopardize the financial investments made by FM broadcasters.

### **5.2 Is there a need to frame a roadmap for migration to digital radio broadcasting for private FM broadcasters? If yes, which approach, mentioned in para 4.7, should be adopted? Please give your suggestions with justification.**

Yes, there is a need to lay down a clear roadmap for the move to digital transmission in the country. This roadmap will act as a catalyst for product manufacturers to launch new and cheap receivers.

Clearly, the first route, "Full Conversion", is unacceptable to us. After collecting thousands of crores of rupees from FM broadcasters in recent rounds of auctions and renewals of Phase-2 licenses, how can the government even consider switching FM off? This route will completely jeopardize the financial investments made by FM broadcasters.

That brings us to the other two options listed – "Market-based approach" and "Managed introduction". Both these approaches are better than the first one; and the government could consider both.

It should however be remembered that it is primarily in the government's interest to achieve complete transition from analog to digital transmission. It recovers precious spectrum which can be used to generate auction revenues in the future. It can offer more services, and serve public interest better. And, it can also make a lot more annual license fees when radio revenues expand. Keeping all this in mind, we would suggest a fourth option "Co-opting private broadcasters".

Under this option, the government would give digital spectrum free to private broadcasters. Additionally, it would also reimburse fully any additional cost that the private broadcaster incurs in offering digital services. It could do this by first setting off these expenses against the annual license fees it collects from FM broadcasters. If costs of providing digital service are higher still, the government could pay that separately to FM broadcasters.

The government must realize that its priority should be to build a large base of digital radio receivers. And this is not possible unless there are adequate number of private services possible. Without private broadcasters, it is impossible to expect that average citizens will buy radio receivers. Further, the government must hugely subsidize these radio receivers by exempting them from all forms of taxes.

The roles of private players and government are different. The government should provide free spectrum and full reimbursements for costs to broadcasters. It should also develop the right ecosystem to encourage people to buy digital radio sets. As part of its efforts, it must also ensure that car stereo systems come inbuilt with digital radio. Most importantly, it must encourage or even compel telecom handset manufacturers to have digital radio receivers in their phones. Private radio broadcasters will provide digital services that encourage people to buy digital receivers.

**5.3 Should the date for digital switch over for radio broadcasting in India need to be declared? If yes, please suggest the date with suitable justification. If no, please give reason to support your view.**

The date should be declared. As mentioned earlier, this will provide the right incentive to product manufacturers.

However, the date itself should be based upon fulfilment of two conditions 1) when penetration of digital sets crosses 67% (2/3rds) of the population and 2) when the license period of Phase-3 FM licenses expires. Until both these conditions are fulfilled, a full-scale transition to digital should not be announced. However, in the interim, a parallel launch of digital radio transmission – subject to suggestions given in this response – can be experimented with.

We broadly agree with the study group's recommendations as captured in 4.8 in the consultation paper.

The government must realize that converting radio transmission to digital is very different from converting TV transmission to digital. In the case of TV, the equipment upgrade required has to happen only at the level of distribution intermediaries – broadcasters, MSOs, LCOs etc. The public at large has nothing to do. Their TV sets anyway come enabled to receive digital signals. MSOs subsidize the investments in digital set-top boxes. In the case of radio however, the change expected is at the level of the general public. They are expected to buy new

receivers. It's fair to say that achieving digital switchover in TV distribution is easier than in radio transmission.

**5.4 Is present licensing framework or regulatory framework is restrictive for migration to digital radio broadcasting? Please explain with justification.**

Clearly, the present licensing regime does not allow private FM broadcasters to enter digital transmission. If the government wants to encourage private broadcasters to at least try digital transmission, it will have to suitably modify the policy. It will have to create a "unified technology" license, as has been done with telecom.

**5.5 Should single digital radio technology be adopted for entire country or choice of technology should be left to radio broadcasters? Support your reply with Justification.**

Very clearly, only a single digital technology should be adopted. The answer is provided perfectly in 4.17. Listeners will hesitate to buy new receivers even in the best of circumstances. It is only because FM receivers come inbuilt in cars and in mobile phones that we have high device penetration in India. The number of in-home stereo systems is very small. Today, everyone in India wants to acquire the latest TV set, but hardly anyone wants to buy a radio set. A quick visit to any electronics goods' shop will show that the number of radio sets available is very small. Shopkeepers will point out that hardly anyone asks for these sets. There are perhaps more illegally imported Chinese radio receivers available, that too of very poor quality, than branded sets made by reputed companies.

Given this, it is absolutely essential that only one technology is adopted, whatever it is. If only one technology is allowed, then all receivers will be of the same technology and there will be a better chance of them being acquired.

**5.6 In case a single digital radio broadcast technology is to be adopted for the entire country, which technology should be adopted for private FM radio broadcasting? Please give your suggestions with detailed justification.**

We are not technically qualified to answer this question. But in general, being in line with the world is a good idea since it will help reduce receiver prices, transmission equipment prices etc. However, whatever the technology the government recommends, it should ensure that there multiple vendors supplying the technology. To draw an analogy from telecom, CDMA has become the sole province of Qualcomm, while GSM has multiple vendors. We should avoid a CDMA-like situation.

Since a big part of the government's effort has to to be to encourage and push mobile handsets and car stereo manufacturers to offer digital capability, it will help if India is aligned with the rest of the world.

**5.7 How issues of interference and allocation of appropriate spectrum allocation can be settled in case the option to choose technology is left to radio broadcasters?**

It is best that this is not left to the broadcaster. This may be OK in telecom, which is a huge industry, and where different technologies may all be financially viable given the size. In the small radio market, it is much better for the government to choose the technology.

**5.8 Should the permission for operating FM channel be delinked from technology used for radio broadcasting? If yes, please provide a detailed framework with justification.**

We believe this is a good idea. We must remember that what the listener cares about is the content. The listener is unconcerned whether the content is broadcast over FM or digital. An example is that of music. A music lover loves the music, not the medium (LP, cassette, CD, digital) on which it is carried. Keeping this principle in mind, a broadcaster holding an FM license should be given the free option of choosing any technology it wants.

**5.9 Should the existing operational FM radio channels be permitted to migrate to digital broadcasting within assigned radio frequency? If yes, should there be any additional charges as number of available channels in digital broadcasting will increase? Please provide a detailed framework for migration with justification.**

Yes, existing FM broadcasters should be allowed to start digital transmission and launching additional digital channels as allowed by technology. However the question of them having to pay extra just does not arise. The government must remember FM broadcasters who launch digital services will be providing a great service. As explained earlier, it is because of the services provided by these broadcasters that the ordinary public might even consider buying new digital receivers. When that happens, the government will be able to better utilize the spectrum for public purposes, and for increasing its own revenues. The government, as argued earlier, should subsidize digital transmission rather than levy additional fees on private FM broadcasters.

**5.10 Should the future auction of remaining FM channels of Phase-III be done delinking it from technology adopted for radio broadcasting? Please give your suggestions with detailed justification.**

Yes, this can be done for all new cities. When licenses of incumbents in existing 84 cities are changed to allow digital transmission, it can be done for these cities also.

At this point, we would like to make an important point. The paper argues in 4.1 that “*This also confirms that FM radio expansion has primarily concentrated in places where infrastructure is in place*”. Further it says, “*All of these 84 cities existed in Phase-II also where FM radio channels were operational by private broadcasters implying that no new city has been added in Phase-III expansion*”. The impression created by these two statements is that new cities were not taken up by bidders in Phase-III auctions because of a lack of infrastructure. This is not true. The real reason for the failure of Batch-2 auctions was that the reserve fees were too high. At these high reserve fees, bidders saw no commercial viability. At the right price, many of these cities would have been successfully auctioned out. There were also other rules that limited the participation from bidders. The city-level cap of 40% of available private frequencies, and the national-cap of 15% of the available frequencies nationally are completely bizarre policy points (supposedly to prevent monopolies from getting formed), especially considering that a functioning Competition Law already operates in the country to prevent any abuses from monopolies or high market shares. The point we would like to make is that it is not lack of infrastructure, but poor policies, which caused the failure of batch-2 auctions.

**5.11 In case future auction of remaining FM channels of Phase-III is done delinking it from technology, should the present auction process be continued? If no, what should be the alternate auction process? Please give your suggestions with detailed justification.**

The present auction process is fine. But as argued in the point above, the reserve fees need to be corrected. Also the policy points that are hindering the growth of radio need to be addressed. Government also needs to ensure that auction doesn't happen in scarcity conditions in any of the cities.

**5.12 What modifications need to be done in FM radio policy to use allocated FM radio channels in technology neutral manner for Radio broadcasting?**

Government must explicitly allow for adoption of digital technology. It should allow simulcast of FM signal, or launch of new channels on these additional digital channels. It should provide full subsidy for all costs incurred by broadcasters in providing digital services.

**5.13 What measures should be taken to reduce the prices of digital radio receivers and develop ecosystem for migration to digital radio broadcasting?**

The government, through policy, must encourage car stereo and telecom handset manufacturers to incorporate digital technology in their devices. This is why it is important for India to adopt the same technology that the bigger countries in the world are adopting – either the US or Australia or those in Western Europe. This will

ensure that stereo and phone manufacturers see merit in adding the requisite features to their products.

It is also important that the government waives off all import duties on finished receivers or on parts that are used to manufacture receivers in India. In a similar vein, digital receivers must be “zero rated” category with respect to GST. This will provide an incentive to product manufacturers to Make in India, and offer their products at affordable prices.

At the same time, the government must lay out its plans for digital radio transmission over the coming decades. When manufacturers see surety and continuity in government policy, they will be encouraged to invest in receiver manufacturing.

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