RESPONSE OF NETWORK18

TO

TRAI'S CONSULTATION PAPER ON MEDIA OWNERSHIP

(Consultation Paper No. 13/2008 dated September 23rd, 2008)

Introduction

Network18 welcomes the public consultation initiated by the Telecom Regulatory Authority of India ('TRAI') on Media Ownership in the consultation paper no. 13/2008 dated September 23rd, 2008.

At the outset, we would like to highlight that the rapid growth and development of the Indian Media Industry has been largely a result of strong entrepreneurial ingenuity.

The purpose of any regulation is to develop a sector and make it more competitive. Regulatory restrictions are needed in an industry characterised by low or no competition, abuse of monopolistic position by incumbent and predatory pricing of key products and services.

However, media sector in India is already on the path of development and highly competitive. The ownership and cross media restrictions are being envisaged at a stage when there is intense competition across each of the segments – television broadcasting (370+ operational channels, several more waiting to launch), DTH (6 operational, 2 more waiting to launch), radio (264 stations), cable (6000 MSOs) etc. As a result of this, the Indian consumer enjoys diverse programming at possibly the lowest monthly cost in the world as illustrated below:

#	Country	Monthly ARPU	No of Channels	Channel to ARPU ratio
1	India	$4	60	15:1
2	Singapore	$20	55	2.75:1
3	USA	$40	88	2.2:1
4	Indonesia	$40	40	1:1

At this stage the Regulator and Government should be liberalizing the current regulations rather than introducing further stringent and restrictive regulations.

Thus, it is imperative that market-driven solutions for issues related to media ownership be actively pursued to ensure the continued progress of the industry and enable it to effectively compete in the global market. A move towards heavy-handed approach, imposing arbitrary cross media and ownership restrictions will only prove to be counter productive.

Issues for Consultation

Issue 1:
Should the Authority adopt the relevant markets identified as above in paras 5.22.8 and 5.22.9 and assess these markets in the context of this consultation?
If not, provide your classification of the relevant markets with appropriate reasoning.

Our Recommendation:

Relevant market for cross media ownership: There exists intense competition among several players across each and every media market identified by TRAI - *English Newspapers, Hindi/Vernacular Newspapers, Hindi/Vernacular TV channels, English TV channels and Hindi/Vernacular FM radio stations.*

The risk of an individual entity owning two or more media outlets and being able to significantly influence public opinion at this stage of growth seems improbable and merely theoretical. There exists strong competition, diversity and plurality of players, news and views.

India is a unique market where on an average each individual speaks and understands at least 2-3 languages. Hence trying to segment the target audience on the basis of language (English, Hindi and Vernacular languages) does not achieve any purpose.

Moreover, the definition of media markets to include only newspapers, television and radio is narrow and should include new media such as internet and mobile as these segments are witnessing the fastest growth and like most countries in the west are likely to overtake traditional media in terms of usage and impact on the population.

The rapid growth of pure plays (companies that do not own any traditional media operations) has further added to the plurality and diversity of views and news.

Issue 2:

(a) **What restrictions should be imposed on cross-media control/ ownership across print, radio and television media to ensure plurality?**
(b) **What should be criteria for measuring cross-media control/ ownership?**

Please elaborate your comment with appropriate reasoning.

Our Recommendation:

We do not believe that any restrictions should be imposed on cross-media control/ ownership across print, radio and television media since the current market environment ensures plurality of views and news. Introducing cross-media restrictions will only stifle the growth of the industry by having an adverse impact on investments in new services and technology.

Media companies create and look at monetizing the same across different platforms and media. This allows them to leverage economies of scale and scope, defray costs, attract superior talent (by providing a challenging and diverse work environment and opportunities for progress) and access capital and other resources at attractive terms. In addition such restrictions will only make the regulatory environment needlessly complex and restrictive.

Issue 3:

(a) Are the current restrictions adequate to address the concerns regarding vertical integration in the television segment? If not what modifications/additions do you suggest?

(b) Should similar restrictions be imposed to address the concerns regarding vertical integration in other segments of the media?

(c) What parameters should be used to measure vertical integration?

Please elaborate your comments with appropriate reasoning.

Our Recommendation:

The Government, had imposed a cap of 20 percent on broadcasters/cable network company's stake in a DTH company and vice versa so as to take care of the concerns relating to national security, morality and vertical monopoly in the distribution and broadcasting of television services.

The market has changed significantly since then – media sector is fast developing and has intense competition in each segment. Variety of content is available for the consumer and consumer can make a choice.

The current restrictions have become archaic and do not serve the purpose as in the current scenario the platform has to cater to the viewer's choice to make its platform popular. Thus the concerns that the government had from a regulatory point of view when the DTH guidelines were drafted do not hold in today's circumstances.

The current regulatory environment distorts competition since a telecom company (that can provide the same services as a cable company using IPTV technology) can own upto 100% of a DTH company but investment by a cable company is restricted to 20%.Further, there is no restriction in percentage (%) holding by broadcast companies in cable companies and IPTV companies making the regulatory framework lopsided. Hence we believe that it is now time to dismantle the vertical integration controls altogether in the television segment. Further, no such restrictions need to be imposed in other segments of the media.

At this time we should be focusing on rationalizing and liberalizing the existing regulations and not further imposing regulatory restrictions.

Issue 4:

(a) **Are the current limits imposed on the number of media licenses in FM radio adequate? If not, what modifications/additions do you suggest?**
(b) **Should similar limits be imposed in the other broadcasting media segments?**
(c) **What criteria should be used to determine these limits?**

Please elaborate the comments with appropriate reasoning.

Our Recommendation:

We agree with TRAI's reasoning that *"The existing ceiling limit of 15% of total FM Radio channels in the country permitted to a permission holder is no longer valid as the fear of monopoly is no longer real. This limit is also not practical, as the total number of channels will vary depending on availability. Hence such limit may be withdrawn."*

Given the experience of FM Radio, it is not advisable to impose such limits in the other broadcasting media segments since these would only be detrimental to industry growth and progress over the long run.

Issue 5:

Should restrictions be imposed on concentration of control/ ownership across media? If yes,

(a) **What restrictions should be imposed?**
(b) **What criteria should be used for measuring concentration of control/ ownership across media?**

Please elaborate your comments with appropriate reasoning.

Our Recommendation:

There should be no restrictions on ownership across media since the industry in India is highly competitive and provides for plurality of news and views.

Restriction on the concentration of control/ownership across media only helps where the industry is not developed and there is a need to increase consumer choice.

The current situation in India is however completely the opposite across all media including newspaper, television and radio industries with no single entity being a market maker either in terms of market share (revenue or audience), geographic coverage, share of voice or any other metric. The largest media company in India for example, has revenues which are about 7-8% of the industry size. Further, given the diversity on the Indian population and its varied tastes, plurality of views is assured.

The industry sizes for almost all the sectors within the sphere of media and entertainment are still small as compared to the economies in the west and we require significant on-ground investments for these to scale-up. Any external regulatory restriction at this stage would adversely impact investments flowing into the sector cascading into reduced customer choice.

We believe that the stated regulatory objectives of fostering competition and safeguarding consumer interest would be defeated in case restrictions are imposed on ownership across media in the current industry context.

<u>Issue 6:</u>
Should restrictions be imposed on Cross control/ ownership across Telecom and Media segments? If yes,
- **(a) What restriction should be imposed?**
- **(b) What should be the criteria for measuring control/ownership across the telecom and media segments?**

Please elaborate the comments with appropriate reasoning.

<u>Our Recommendation:</u>

Digitalization of television networks including the last mile is expected to be investment intensive and it should not matter whether the investment is made by telecom companies or cable/other media companies. Cable companies in US have collectively spent over $100 billion since 1996 to upgrade their infrastructure so as to compete with Telcos; in turn, the telcos have invested heavily to make the last mile digital ready.

TRAI has estimated significant expenditure for digitalization of cable networks in India; MPA estimates Rs 1,100 cr investment for CAS implementation in the 4 metros assuming only 30% penetration. Further, CII in its recommendations to the Government of India, estimated that an upgraded cable network in India will require a capital expenditure per subscriber of US $743 in year one, US $389 in year three, and US $337 in year five.

DTH, IPTV too are extremely capital intensive and akin to a telecom infrastructure project requiring sizable investment over long time periods. Each of the media and telecom players investing in these infrastructure businesses have their business models predicated on multiple revenue streams – voice, video and data and being able to offer additional products and services to their customer base. Imposing restrictions at this stage will impair all future funding impacting the viability of these businesses.

Therefore we believe that cross media restrictions across media and telecom segments will impair customer choice and competition and should be avoided.

<u>Issue 7:</u>
Any other relevant issue you would like to suggest or comment upon.

None