

Comments of Reliance Big TV Limited

1. The Telecom Regulatory Authority of India has sought comment on Draft Tariff Order on a la carte rates for TV channels on DTH platforms. Although on the face a la carte seems attractive but in case the draft tariff order is enacted it would definitely result in DTH customers paying more for less. The tariff order would require major shakeup in product configurations and many high value channels may have to be moved out from most bouquets.
2. In addition to the re-configuration of bouquets, many niche channels and new channels would also lose viewership which may have impact on programme diversity.
3. Our comments specifically on twin conditions for a la carte rates for TV channels are given below:
 - I. TV Channel distribution market is competitive: Regulatory Intervention on Channel Packaging and Pricing not Justified
 4. The TV channels distribution market is highly competitive and there should be no basis for intervention to regulate packaging and pricing of TV channels. The vast majority of consumers have multiple options for obtaining TV channels, including analogue & digital local cable operators and five ubiquitous national DTH companies. In a clearly competitive market there is no plausible reason to regulate the packaging and pricing of TV channels.
 5. DTH operators are giving multiple options for creating a mix of TV channels that meet their interests and financial needs. With availability of vast variety of TV channel packaging and price choices, there should be no need to enact the tariff order to regulate packaging and pricing of TV channels.
 - II. Tariff Order if enacted would require changes in the current business model
 6. The existing packaging model by DTH operators has produced a vast array of diverse, high-quality TV channels for consumers. The packaging of TV channels has expanded TV viewing market and now services ubiquitously available throughout the country on on DTH platforms.
 7. The proposed tariff order would require us to change our offerings/bouquet prices. Each bouquet would have to be redesigned with a channel mix so as

to maintain affordability in the market. It may result in exiting of popular channels from existing bouquets. TRAI should be particularly wary about enacting new tariff order as its implementation would require major changes in configuration of existing bouquets which may leave many subscribers unhappy and dissatisfied.

III. A La carte rate based on Ascribed Value is not workable

8. The ceiling price of the pay channel has been linked to the ascribed value of the channels. The ascribed value of a channel in a bouquet is basically its a-la-carte rate, rationalized with respect to the bouquet's rate. However, in our current offerings number of pay channels are part of multiple bouquets and thus for each bouquet there would be different ascribed values for single pay channel. Moreover, every time there is new bouquet or offering, the ascribed value of each channel will throw a new value. Thus for a single TV channel there would be multiple ascribed values which is prone to anomalies cannot work in the market.

IV. The Condition 1 on a la carte rates based on ascribed value may force non availability of higher value channels in many bouquets

9. The Authority in the draft TTO has proposed allowed a-la-carte rate of a pay channel forming part of bouquet to be three times the ascribed value. This condition even does not allow enough flexibility to DTH operators to place the pay channel in multiple bouquets. Thus the condition would take away the flexibility available with DTH operators to design packaging of TV channels. It is quite likely that higher value channels may no longer be available to many consumers in their existing bouquets. In view of it is unlikely that the TTO would benefit many consumers.
10. Moreover, the concept of the Ascribed value along with condition-1 does not provide enough margins to the DTH operators to place pay channels in a bouquet. As per our estimate, in most cases condition-2 will override the condition-1 thereby making the Condition-1 redundant. Thus, the implementation of Ascribed value will not only take away the flexibility/innovation of pricing the channels from the DTH operators but will also further lower their business margins in comparison to Condition 1. In view of this we do not support condition 1.

V. Condition 2 that a-la-carte rates of pay channels forming part of bouquet(s) shall not exceed two times the a-la-carte rate of the channel offered by the broadcaster to addressable systems at wholesale level is not workable

11. The Authority has proposed another criterion in condition (b) to provide linkage between the a-la-carte rates of pay channels to the a-la carte rates of the channels offered by the broadcaster at the wholesale level for addressable systems. The Authority has proposed that retail rate for a la carte channel on DTH platform should not exceed two time the a-la-carte rate at applicable wholesale rate.
12. It is true that wholesale rate of a pay channels charged by a broadcaster is one of the major input cost. However, a uniform linkage to the wholesale rate for all kinds of channels is not correct. The DTH operators have invested billions of rupees in infrastructure and satellite bandwidth to provide DTH services. Considering the huge operational costs incurred by DTH Operators the uniform formula of retail price not to exceed the wholesale price would not be sufficient in all cases to recover cost in all cases. Many pay channels on a la carte basis would become unviable.
13. As per our analysis the a la carte rate should be atleast three times the wholesale rates so as to recover our operational cost as well as to provide flexibility to DTH operators to construct bouquet of channels.

VI. Lower Bouquet Prices compared to A La carte is supported by Cost

14. Bouquets lower transaction costs because it is easier and less costly to sell many channels in a bouquet with one transaction than to try to sell multiple channels on an a la carte basis. Bouquets also reduce marketing costs because individual channels sold in a bouquet do not have to spend as much to market the channel as they would if consumers were required to make individual purchase decisions for each channel.
15. Bouquets have lower distribution costs because “the distribution cost entailed in serving a subscriber is the same regardless of the number of channels delivered,” so the more channels subscribed to, the lower the average cost of distributing a channel.
16. Considering immense cost benefits of bouquets, it would not be correct to regulate A la carte prices based on ascribed price or bouquet prices.

VII. Draft Tariff Order may impact Programme Diversity

17. New and niche services that are offered in a bouquet with other popular services have a much better chance to attract viewers than if offered a la carte. In case bouquets are made unattractive vis-a-vis a la carte rates, many niche TV channels, which appeal to somewhat narrower viewing interests, or new TV channels, which have not had an opportunity to be

sampled or to attract a significant following, would draw even smaller audiences.

18. The TTO is likely to make many bouquets unattractive to consumers which will have impact in terms of programme diversity.

VIII. Bundling is Common in the Media Sector but no regulated in other sectors

19. DTH's provision of bouquet of channels is not unique. There are innumerable examples of packaging goods or services in bundles throughout the economy. In the absence of market power and competitive market, there should be nothing nefarious about bundling of channels.
20. In the media section newspapers have also started bundling of large number of sections like city and business on daily basis and many other sections and supplements on weekends. On similar basis DTH operators also require discretion in creating channel packages for consumers. An a la carte requirement at regulated pricing would directly interfere with that discretion and it would impact consumer's interest and business growth.

IX. Tariff Order to impact Revenues

21. DTH operators mainly generate their revenues from subscription fee. In order to generate the maximum revenue, DTH operators seek the widest possible distribution. The most efficient way for most services to achieve that goal is to be carried in bouquets with a mix of popular and less popular channels. By contrast, mandating that a service to be offered on a regulated A la carte rate would reduce the number of subscribers for many TV channels. The Tariff order has potential to reduce revenues for DTH operators. The revenue loss would require increase in tariffs which would impact consumers.

Conclusion and suggestions

In view of our submissions above we do not support TRAI's draft tariff order on a la carte channel rates based on twin conditions of ascribed value of channel and whole sale rates offered by broadcasters.

In case TRAI is still of the view that a la carte regulation is required then the rates condition based on ascribed value should not be applicable.

It is suggested that the second condition may be revised as "a-la-carte rates of pay channels forming part of bouquet(s) shall not exceed three times the a-la-carte rate of the channel offered by the broadcaster to addressable systems at wholesale level".