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**RESPONSE BY SITI CABLE NETWORK LIMITED ON THE PROPOSED AMENDMENT TO THE TELECOMMUNICATION (BROADCASTING AND CABLE SERVICES) INTERCONNECTION (DIGITAL ADDRESSABLE CABLE TELEVISION SYSTEMS) (SECOND AMENDMENT) REGULATIONS, 2013**

- A. Proposed amendment to clause 3 of The Interconnect (DAS) Regulation of 2013 by adding in sub Regulation (2), after second proviso, by adding the following proviso namely:

“provided that the provisions of this sub-regulation shall not apply in the case of a multi-system operator, who seeks signals of a particular TV channel from a broadcaster, while at the same time demanding carriage fee for carrying that channel on its distribution platform.”

- b. Proposed to amend and omit sub-Regulation (5), (8) and (11A) from the Regulation

**RESPONSE:**

Siti Cable Network Ltd. agrees to the said amendment and addition of the proviso to clause 3 (2) of the DAS Interconnect Agreement. In addition, it welcomes the proposed omission of clauses 3(5), 3(8) and 3(11A) of the Interconnection Regulation for DAS.

**RESPONSE BY SITI CABLE NETWORK LIMITED ON THE PROPOSED AMENDMENT TO THE  
TELECOMMUNICATION (BROADCASTING AND CABLE SERVICES) (FOURTH) (ADDRESSABLE  
SYSTEMS) TARIFF (SECOND AMENDMENT) ORDER, 2013 (No.    of 2013)**

The proposed amendment to the Telecommunication (Broadcasting and Cable Services) (Fourth) (Addressable Systems) Tariff (Second Amendment) Order, 2013 is as follows:

In clause 6 of the Telecommunication (Broadcasting and Cable Services) (Fourth) (Addressable Systems) Tariff Order, 2010, (1 of 2010),---

- (a) In the heading, the word "pay" shall be omitted;
- (b) In sub clause (1) for the second proviso, the following proviso shall be substituted:

"Provided further that in case a multi system operator or direct to home operator or Internet Protocol Service Provider or HITS operator providing broadcasting services or cable services to its subscribers using a digital addressable system, offers channels as a part of a bouquet, the a-la-carte rate of such channels forming part of that bouquet shall be subject to the following conditions, namely:-

- (a) the a-la-carte rate of a pay channel forming part of a bouquet shall not exceed two times the a-la-carte rate of the channel offered by the broadcaster at wholesale rates of addressable systems; and
- (b) the a-la-carte rate of a pay channel forming part of a bouquet shall not exceed three times the ascribed value of the pay channel in the bouquet;

Explanation: Ascribed value of a pay channel in a bouquet means the value arrived at by multiplying the proportionate value of the pay channels in the bouquet with the a-la-carte rate if the same pay channel and divided by the sum of a-la-carte rates if all the pay channels in the bouquet and proportionate value of the pay channels in the bouquet shall be calculated in the following manner:

(Bouquet rate x sum of a-la-carte rate of pay channel)/ (sum of a-la-carte rate of pay channels + sum of a-la-carte rate of free to air channels taking rate of free-to-air-channel as Rs.1)

RESPONSE:

- (i) SITI Cable reiterates its view put forth vide its reply to the Consultation Paper dated 20-12-2012 issued by the Authority and once again requests the Authority to give a dispassionate and unbiased consideration to our views and reconsider its decision to amend the clause 6 (b) and amend the twin conditions as proposed above.
- (ii) SITI Cable, most respectfully, submits that the Draft Tariff Order issued by TRAI does not seem to meet the consumer interest. The Tariff Order, if put in place in the manner and form proposed and prescribed by TRAI, shall force the operators to increase the price of the bouquets being offered to the consumers thereby making the said Tariff Order anti consumer. It is most respectfully submitted that the regulations / tariff orders to be prescribed by the TRAI has to secure the interest of the consumers as well as the stake holders.
- (iii) One main and most important concern raised by SITI Cable is with regard to ascribed value which it seems to be different for different bouquet and in the explanatory memorandum no explanation/clarification has been given by the TRAI on this. The

MSO is expected to fix the price of the a-la-carte channels but the ascribed values for each channel will be different for different bouquet.

- (iv) There is no fixed threshold value of the wholesale price declared by the broadcaster. For instance, Animax RIO rate is INR 0.21 , Channel V RIO rate is INR 0.45 and Star Plus is INR 7.87. So as per the twin condition (b) the maximum a-la-carte rate of Animax channel will be INR 0.42 for retail but the minimum retail rate of a free-to-air channel fixed by MSO is INR 3 (except for DD channels). Therefore, by charging the price of pay channel so derived by the ascribed value formula, the MSO will not be able to ever recover the cost of encryption, SMS and other necessary direct expenditure incurred in delivery channel to the consumer.
- (v) Moreover, under the proposed formula, for same channel there can be multiple rates as there are multiple bouquet being offered by Service Providers wherein one channel is part of multiple bouquet and thus for each channel there can be multiple "ascribed value" of the channel. Thus, the "ascribed value" condition/criteria as sought to be suggested is unworkable and complicated.
- (vi) Also, a call by the subscriber on our Toll Free Number costs us somewhere between INR 12-15/- . Hypothetically, if a subscriber calls for subscription of an additional one channel which (as in case of Animax) is priced 21 paisa, then the amount earned by MSO, even charging double or thrice will be 63 paisa X 12 = Rs. 7.56/-. Keeping this calculation in view, it can be concluded that an MSO will be losing for every additional subscriber INR 4 to 5/- which is commercially unviable and detrimental for its business.
- (vii) The LCO revenue share as per the regulation is 35% of the retail price as per above mentioned example his share will be negligible.

(viii) The suggested twin condition restricts the Operator for providing the package / bouquet at attractive prices. In this context, we would also like to bring to the attention of the authority that MSOs procure channels from the broadcaster(s) in two manner:

- a. Fixed fee basis which is generally arrived on the basis of the Cost per sub (CPS) multiplied by the total no. of subscriber and where there is an understanding between the broadcaster and MSO where the MSO pays a fixed amount per annum and in lieu of which broadcasters seeks and is provided favourable placements in all the packages offered by MSO. In such cases where the MSO has entered into a CPS deal and in case the MSO, provides the channel on ala carte basis then the MSO has to pay for the full price of the bundle brought from the broadcasters. For example If MSO has a deal with Broadcaster on INR 15 per sub per month for its 10 channels, then MSO reports to the broadcaster the average no. of subscribers in its monthly report and pay for that many subscriber.

Now if MSO sells the channels of Broadcaster A on ala carte basis also then even if the subscriber chooses to have one channel of the bouquet then too MSO will have to pay for full bouquet which is INR 15 in this case, irrespective of the fact that subscriber chooses to have only one channel. This will put additional burden on the service provider. We will also like to mention here that currently the interconnect regulations do not provide such provisions that from the same content provider the channel can be taken on ala carte basis and bouquet basis simultaneously.

- b. RIO rates as published by the broadcasters:

As stated above, if the deal is on the CPS and the MSO sells the channel on ala carte basis then also the MSO has to pay for the whole bouquet even if the consumer has taken one channel, which is as per the

Interconnection regulation of the Authority. Hence the interconnection regulations will have to be amended to include such provisions. In case of the ala Carte deal of the channels between the broadcaster and the MSO, if the MSO are forced to package the channel in a particular package due to market considerations then it is going to a situation where the derived a la carte rate basis ascribed value of the channel will be lower than the rate at which the platform buys the channel from the broadcaster.

- (ix) At the same time, the point with regard to giving discount to bouquet rate will be subject to fulfillment of twin conditions as explained in the Explanatory Memorandum is wholly impractical and anti consumer in nature as it discourages the MSO to offer discount as the same will no longer be commercially a viable proposition for any MSO under the circumstances.

As submitted hereinabove in (viii) (b) above, in case of the a-la-carte deal of the channels between the broadcaster and the service provider, if the service providers offer any channel in a particular package then adhering to the proposed "twin condition" criteria will lead to a situation where the ascribed value of the channel will be lower than the buying rate of the channel. The four packages which are being offered by SITI Cable to its subscribers are Janta (BST), Popular, Grand and Premium. If TRAI makes it compulsory to adhere to this proposed twin condition, then a situation will arise wherein the a-la-carte rate offered by MSO will be lower than the rate offered by the broadcaster. For instance, please find below a working chart taking example of channel V and Star plus wherein it is clear that if the "twin conditions" are made compulsory, the a-la-carte price offered by MSO is lower than the rate offered by the broadcaster.

Popular	Grand
Bouquet Rate = INR 170 (w/o tax). ( For Delhi)	Bouquet Rate = INR 222 (w/o tax).
No. of PAY channels = 78	No. of PAY channels = 121
No. of FTA channels = 107	No. of FTA channels = 120
Uniform rate of FTA channels = INR 3	Uniform rate of FTA channels = INR 3
Hence, Factor = $3/3 = 1$	Hence, Factor = $3/3 = 1$
Sum of a-la-carte rate of all pay channels in Popular pack ( Delhi) = INR 675	Sum of a-la-carte rate of all pay channels in Grand pack = INR 1113
So, <b>Proportionate Bouquet Amount</b> =	So, <b>Proportionate Bouquet Amount</b> =
$(170 \times 675) / (675 + 107 \times 1) = 146.73$	$(222 \times 1113) / (1113 + 120 \times 1) = 200.39$
So, <b>Ascribed Value</b> (e.g. for <b>Star Plus</b> ) =	So, <b>Ascribed Value</b> (e.g. for <b>Star Plus</b> ) =
$(146.73 \times 7.87) / 675 = 1.71$	$(200.39 \times 7.87) / 1113 = 1.41$
As per <b>Condition (a)</b> , max. a-la-carte rate for	As per <b>Condition 1</b> , max. a-la-carte rate for
<b>Star Plus</b> = $3 \times 1.71 = \text{INR } 5.13$	<b>Star Plus</b> = $3 \times 1.41 = \text{INR } 4.23$
As per <b>Condition (b)</b> , max. a-la-carte rate for	As per <b>Condition 2</b> , max. a-la-carte rate for
<b>Star Plus</b> = $2 \times 7.87 = \text{INR } 15.74.$	<b>Star Plus</b> = $2 \times 7.87 = \text{INR } 15.74.$
Hence, the lowest value as per the Regulation, (maximum a-la-carte rate) for	Hence, the lowest value as per the Regulation, (maximum a-la-carte rate) for
<b>Star Plus</b> = <b>INR 5.13*</b>	<b>Star Plus</b> = <b>INR 4.23*</b>
<b>*lower than the purchase price of the broadcaster i.e. Rs.7.87/-</b>	<b>*lower than the purchase price of the broadcaster i.e. Rs.7.87/-</b>

**In case of Channel V :**

<p>So, <b>Ascribed Value</b> (e.g. for Channel V) =</p> <p><math>(146.73 \times 0.45) / 675 = 0.09</math></p> <p>As per <b>Condition (a)</b>, max. a-la-carte rate for</p> <p>Channel V = <math>3 \times 0.09 = \text{INR } 0.27</math></p> <p>As per <b>Condition (b)</b>, max. a-la-carte rate for</p> <p>Channel V = <math>2 \times 0.45 = \text{INR } 0.90</math></p> <p>Hence, the lowest value as per the Regulation, (maximum a-la-carte rate) for</p> <p style="text-align: center;"><b>Channel V = INR 0.27*</b></p> <p><b>*lower than the purchase price of the broadcaster i.e. Rs.0.45/-</b></p> <p><b>*lower than the FTA rate of Rs.3/- .</b></p>	<p>So, <b>Ascribed Value</b> (e.g. for Channel V) =</p> <p><math>(200.39 \times 0.45) / 1113 = \mathbf{0.08}</math></p> <p>As per <b>Condition 1</b>, max. a-la-carte rate for</p> <p>Channel V = <math>3 \times 0.08 = \text{INR } 0.24</math></p> <p>As per <b>Condition 2</b>, max. a-la-carte rate for</p> <p>Channel V = <math>2 \times 0.45 = \text{INR } 0.90</math></p> <p>Hence, the lowest value as per the Regulation, (maximum a-la-carte rate) for</p> <p style="text-align: center;"><b>Channel V = INR 0.24*</b></p> <p><b>*lower than the purchase price of the broadcaster i.e. Rs.0.45/-</b></p> <p><b>*lower than the FTA rate of Rs.3/-</b></p>
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**SUGGESTION:**

- (i) The a-la-carte rates of pay channels forming part of the bouquet shall not exceed three times the a-la-carte rate of the channels offered by the broadcaster at the wholesale rates to MSO or FTA (Free to Air) channel rate of the MSO whichever is more, for addressable system\_so as to also cover the cost of encryption, SMS & other distribution costs.
- (ii) The other condition of retail pricing based on ascribed value formula should be deleted.
- (iii) It may also be pointed out that each request made for addition or deletion of the channel or product has a cost to the service platforms. While making some basic guidelines on the provision of the ala carte channels those costs needs to be taken care of. Costs like the call to the call centre, the processing costs, the bandwidth costs, conditional access costs are the factors which are required to be taken into consideration while arriving at the a-la-carte rate of the channel at the retail level.