To
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Subject : Written Comments on the Consultation Paper on Tariff issues related to Tv Services.

I am hereby presenting a viewpoint from the angle of Independent MSO's . At the onset I want to clarify that we are not against any stakeholder and sole thing as an Independent MSO we are concerned about is price discrimination unleashed by the broadcasters in last two years upon us. Although lot of us are already making huge losses in business due to discriminatory pricing of the content offered to us & variation running as high as 85% as observed by authority in one of its earlier papers. The independent MSO put in the money (most of them by mortgaging their own houses or other assets unlike the big MSO who are listed companies and investing public money) for digitisation thinking a level playing field will be created after it and sheer by the quality of service and personalised service they will be able to win over lot of clients. A normal practice should be let the best man win who give the best service but high discriminatory pricing completely change the rules of the game and brought Independent MSO to the verge of extinction and making their Investments redundant.

Although the industry is moving towards consolidation but how with very few players and only big players in a particular market can play havoc with quality of service is for all of us to see in mobile telephony as we are debating the issue of call drops without any resolution in sight. Although I am not trying to draw parallels as mobile telephony business is high capital business & small players have no role. But Cable Industry which since its inception have been successfully developed by first generation entrepreneurs and driving them out of business by unfair means of discriminatory pricing is a totally rogue thought and we hope Authority will take a proper note of it.

The interest of the consumer should be primary as the industry is driven by the revenue paid by the consumer either directly via subscription or indirectly in the form of ad revenue being generated due to his viewing.

The two guiding principles should be:

1. Consumer should have complete & unambiguous option to choose the channels he want to watch, which was the intent of the legislature and none of the stakeholders should be in a position to circumvent that.

2. The consumer should be aware of the MRP of the channel and irrespective to his place of residence whether metropolitan city or village and whichever platform he choose to receive his signal the price to him should be well publicised and uniform across india.

The whole experiment of CAS was very successful with Rs. 5/- defined as the MRP and clearly defined the % of each stakeholders. The CAS model was flawed if at all, it was because only pay channels were mandated to be encrypted but others signals of FTA can be run in unencrypted mode. But in DAS legislation it was mandated that all channels will be transmitted only in encrypted mode. The price was never an issue and most of the Broadcasters were happy getting 45% i.e. Rs. 2.25 as their share. The wholesale price model was brought in to suit few big DPO's so that they can take the advantage of the discriminatory pricing and can expand their subscriber base in the market.

Proposed Model:

So we propose the similar model as CAS with Rs. 6/- as the MRP of the pay channel which is also running advertisement. The revenue sharing between Broadcaster, MSO & LCO should be in the same ratio of 45%, 30% & 25% as in CAS.

A Fixed monthly charge of Rs. 100/- should be levied on the subscriber for FTA Bouquet and this money should be split in the ratio of 30:70 between MSO & LCO. As MSO also gets revenue from carriage fee hence the share of MSO is kept low.

The channels should be classified in three categories:

FTA - No restriction on advertisement timing. (As a shopping channel will run advertisement 24hrs)

Restricted Pay - An ad cap of 10minutes per hour with a Fixed declared price of Rs. 6 for the end subscriber and to be divided in the fair ratio as of 45%, 30% & 25%. As per TRAI paper 67% of broadcaster revenue is from ad revenue so by limiting the smaller stream of revenue to a reasonable level will bring sanity into the system. The argument that content costs are different does not hold water as the major share which is from ad is still variable. More popular content may attract more advertisements & hence the broadcaster will make more money. An spot ad rate has very high variation depending on the popularity of the programme.

Premium pay - Ad free channel with forbearance on pricing subject to the condition that volume based discrimination should not be more than 5% of the channel price.

Forbearance should not mean discrimination. It should be amply clarified in the regulation.

Calculation as per the proposed Model:

On an average a household Choose 20 pay channels.

Cable TV Bill - Rs. 100 (Basic) + Rs. 120 (Pay Channel @ Rs.6) = Rs. 220 (taxes Extra)

Broadcaster Share	-	Rs. 2.7 X 20 = Rs.**54/-**
MSO Share	-	Rs. 30 + (1.8X20) = Rs. **66/-**
LCO Share	-	Rs. 70 + (1.5X20) = Rs. **100/-**

Current Scenario as per figures in tariff paper:

Now as per Tariff paper the total Subscription revenue is Rs. 32000/- from 140.44 million Subscribers.

Average Subscription per Month per subscriber turn out to be Rs. **189.88/-**

The share of Broadcaster currently out of Subscription revenue is Approx Rs. 7,750 crore

Average per month revenue to broadcaster per Subscriber come to Rs. **45.99/-**

Replies to the questions in consultation Paper:

Ans 1: Price models at wholesale level should be completely scraped as they bring total opaqueness into the system. A Fixed MRP model for each channel should be brought in.

Ans 2: Price models at retail level should be completely scraped as they bring total opaqueness into the system. A Fixed MRP model for each channel should be brought in.

Ans 3: The transparency and non - discrimination requirements can never be fulfilled with this suggested pair of models.

Ans 4: Consumers interest can never be served with these separate wholesale and retail level price models.

Ans 5: A integrated distribution model as suggested above will be very suitable and it will make the whole process very transparent.

Ans 6: As suggested above in the explanation. It is a system where all the stakeholders exactly know their fair share of revenue and the subscriber knows what he has to pay. Any of the stakeholder at its level can offer discount to the consumers without effecting the revenue share of other stakeholder.

Ans 7: A normal household choose anything between 10 - 20 channels for viewing. So a price of Rs. 6/- a channel will make the bill between Rs. 160 - Rs. 220 (Including Rs. 100 fixed). So there is further probability that some of the channels will like to keep the MRP low to attract more client base as they will like to earn more through advertisement revenue.

Ans 8: Yes there is a need to identify significant market powers in Broadcasting as well as in DPO's. As with big size and more numbers the entity has more responsibilities to fulfil.

Ans 9: In case of DPO's of course it will be number of subscribers on PAN india basis. In case of broadcasters it can be identified from the all india billing done by them on quarterly basis. Top top three billing broadcasters can be identified as the significant market powers.

Ans 10: No differential regulation should be thought about as it will again bring in lot legal disputes.

Ans 11: The price at wholesale level is the root cause of most of the ills currently effecting this industry hence it should be completely scrapped.

Ans 12: Yes, it is very intelligently classified.

Ans 13: I do not think authority should do so much micro management.

Ans 14: No measures can stop this practice of price distortion & manipulation at wholesale level hence wholesale pricing method should be completely abolished.

Ans 15: I think to begin with we should keep a standard MRP of Rs. 6/- for the end consumer and let the system evolve and later after 6 months to 1 year genre based MRP can be worked out. Apart from this the major revenue of broadcaster is from advertisement which is variable as Broadcaster free to decide its spot ad rate.

Ans 16: No method of discount should be made and wholesale price should be completely scrapped in favour of uniform MRP for the end subscriber.

Ans 17: No comments.

Ans 18: We again reiterate that wholesale price for DPO should be completely scrapped.

Ans 19: All such discounts are the root cause of discrimination and hence should be scrapped.

Ans 20: Any such Genre in the name of “Niche Channel Genre” will become a source of abuse and discrimination between the preferred and non preferred DPO’s. we have proposed a genre for ad free channels where forbearance of price can be allowed subject to no discrimination between different DPO’s.

Ans 21: Forbearance of price should be only allowed for the channels which are totally ad free. The channels carrying advertisement should not be allowed forbearance of pricing.

Ans 22: No comments.

Ans 23: Till the price of Niche channel is regulated like any other channel the misuse can never happen.

Ans 24: only advertisement free channels should be included in this genre and the day channel start airing advertisement it should be removed from this genre.

Ans 25: As the content of HD Channels is same as SD so there should not be price difference between HD and SD content. The MRP for HD channel should be same as SD channel.

Ans 26: The HD channel MRP should be same as SD channel. Only in case if the HD channel is advertisement free then forbearance can be allowed subject to no discrimination between the different DPO’s.

Ans 27: No all the channels whether HD or SD should be treated at par and subscriber should be in a position to subscribe the individual channel as per his choice.

Ans 28: Yes the FTA & pay channels should have separate bouquet. Pay channels should be sold on ala carte basis.

Ans 29: All the pay channels with MRP should be available on ala carte choice. Mobile Apps or channel selection forms can be used for taking the customer choice.

Ans 30: Activation time can be minimised by giving the power in hands of customer to select their channels through Mobile apps.

Ans 31: Yes the carriage fee be regulated. It should be based on two factors one is the minimum cost of carrying a channel from his control room which should be fixed figure across all the DPO’s

& secondly the variable figure depending on the number of subscribers and area of operation, factors like placement etc.

Ans 32: Carriage fee should be allowed where a broadcaster wants to transmit its channel through the facility of a particular DPO and as DPO has minimum cost to carry a channel. A fixed figure can be advised so that must carry clause should be adhered by DPO without quoting exorbitant figures to Broadcaster.

Ans 33: It will be difficult to ascertain but parity and non discriminatory approach must be ensured so that Broadcaster do not pay undue sums of money via back door to its preferred DPO's.

Ans 34: It should be left to the market forces. Once the demand of channel start building up it becomes necessary for DPO to run that particular channel. Anyways we are saying a fixed figure can be suggested for adhering to must carry clause.

Ans 35: Yes to the extent that parity can be ensured and non discrimination can be eliminated.

Ans 36: MRP should be defined for pay channels and no packaging should be allowed for pay channels. This will automatically lead to subscribers not choosing the cloned channels.

Ans 37: There can be many ways to offer preview of channels.

Ans 38: There can be lot of other technological developments apart from EPG. PIP may not be possible with all the DPO.

Ans 39: It is too early to comment on pay-per-program although the technologies are available in the market to implement the same. Broadcasters can experiment on this with various DPO.

Ans 40: Ideally there should not be any additional cost for implementation of pay-per-view to the end subscriber.

Ans 41: No. Such kind of system will have too many pitfalls and may push out smaller players out of business.

Ans 42: No comments.