

TELECOM REGULATORY AUTHORITY OF INDIA

August 31, 2006

Press Release No. 85 / 2006

Subject: Tariff Order for Free to Air Channels in Basic Service Tier , Pay Channel and Set Top Box schemes in respect of CAS notified areas of Delhi, Mumbai, Kolkata and Chennai.

A Division Bench of the Hon'ble High Court of Delhi had on 20th July 2006, directed implementation of CAS in the three metros of Mumbai, Kolkata and Delhi by 31st December 2006. CAS is already under implementation in Chennai. During the deliberations for introduction of CAS, the three areas identified for tariff regulation were - pay channels, basic service tier, and schemes for supply of set top boxes.

2. On the basis of detailed examination and analysis of the inputs received during the process of consultation over the last two months, TRAI has issued, today, a detailed tariff order. This order prescribes (i) the rates of tariff for basic service tier consisting of free to air channels, (ii) maximum retail price of individual pay channels which the multi system operator /cable operator will charge from the subscriber and (iii) schemes for supply of set top boxes. This order is applicable in CAS notified areas of Mumbai, Delhi, Kolkata and Chennai. The salient features of the Tariff Order are given below.

3. TRAI's decision to fix a general ceiling on maximum retail price for pay channel for CAS areas has, among other things, been guided by two significant developments. Firstly, Hon'ble TDSAT in its judgment dated 14.7.2006 relating to DTH operators, in a petition between ASC Enterprises Vs Star India Pvt Ltd expressed the hope that TRAI would soon come out with regulations to lay down the charges for each channel. Separately, the Government of India notified the Cable Television Networks (Second Amendment) Rules 2006, on 31st July 2006. These rules required the broadcasters to declare the maximum retail prices (MRPs) of each pay channel on a la carte basis. The rules also provide that if TRAI considers these prices to be too high then TRAI could fix a general MRP for all pay channels or the MRPs for each pay channel. TRAI found that generally the prices reported by the broadcasters were too high. Accordingly, it has now fixed a general ceiling on MRP. The individual pay channel prices are to be fixed by the broadcasters within this ceiling. While fixing the MRPs for the pay channels TRAI has followed a path of least intervention – broadcasters /MSOs are free to form bouquets and provide discounts for the same apart from providing pay channels on an a-la-carte basis, while at the same time ensuring that consumers' choice is maximized because of a reasonable a-la-carte pricing. To provide some stability to the revenues of the broadcasters it has also been provided that the MRPs will apply only where the subscription is for a minimum period of four months.

4. **The major features of the tariff order for pay channels are :**
- All Pay channels to be offered compulsorily on a la carte basis.
 - Bouquets can be offered with discounts in addition to the a la carte offer.
 - Ceiling on the maximum retail price of any pay channel whether new or existing will be Rs. 5/- per channel per subscriber per month (excluding taxes).
 - Broadcasters are free to fix prices of individual pay channels within this ceiling.
 - Minimum period of subscription to a pay channel to be at least 4 months.
 - One month's notice to subscribers before conversion of a free to air channel to pay channel or vice versa.
 - The above will come into effect from 31st December 2006.
5. **Rate for free to air channels (channels viewed without set top box) comprised in a basic service tier:**
- Maximum amount that can be charged will be Rs. 77/- (exclusive of taxes) per subscriber per month with a stipulation for a minimum of 30 free to air channels. Additional free to air channels, if any provided, also to be accommodated within the above maximum amount.
 - This tariff will come into force from 31st December 2006 in Mumbai, Delhi and Kolkata. This tariff is already prevailing in Chennai.
6. **Scheme for supply of set top boxes**
- Two schemes to be compulsorily provided by the multi system operators /cable operators as part of a standard tariff package:
 - One with a monthly rental of Rs.30 per digital set top box plus a refundable deposit of Rs. 999/- per box (refund will be made after deducting Rs.12.50 per month for use of the STB)
 - Second, with a monthly rental @ 45/- per digital set top box (Rs. 23 for analogue set top box) with a refundable deposit of Rs. 250/- per box. (refund will be made after deducting Rs.3/- per month for use of the STB).
 - Operators can offer alternative tariff packages in addition to the mandated standard tariff package.
 - No separate charges for installation, activation or reactivation, smart card viewing card and repair and maintenance (for five years) allowed.
 - The above will come into affect from 15th October 2006.

TRAI has thus ensured adequate commercial interoperability which means that a consumer can easily exit the scheme whenever he /she desires.

7. TRAI has already issued last week Regulations on Quality of Service and Interconnection for CAS areas. The full text of these Regulations and the Tariff Order issued today are available on TRAI's website www.trai.gov.in .