

Information Note to the Press [Press Release No.6/2020]

For Immediate Release

TELECOM REGULATORY AUTHORITY OF INDIA

NTO 2.0 provides freedom to stakeholders to price their services while ensuring freedom to choose channel to customers, Sound growth of sector expected

New Delhi 13th January 2020: TRAI has issued amendments¹ to the regulatory framework for Broadcasting and Cable Services Sector on 1st January 2020. The amendments address the teething issues faced by the consumers, while balancing the interests of broadcasters as-well-as the DPOs to create a level playing field. These amendments are to address certain anomalies in market which necessitated review for achieving the orderly growth of the sector.

2. The new framework introduced last year has been quite successful in harmonizing business processes, reduced disputes among stakeholders, brought clarity in channel pricing by displaying the price of every channel on electronic program guide to consumers, and enabled transparent subscriber reporting. The transparency has ushered better tax compliance thereby improving government revenue. Explicit revenue stream of Network Capacity Fee (NCF) and the MRP based pay channel prices have ensured that the revenues are distributed proportionately among the broadcasters, DPOs and LCOs. NCF facilitates adequate returns to DPOs, thereby facilitating upgradation of their networks giving better services to consumers and ensuring business certainty. The Broadcasters also benefitted by getting full freedom and flexibility to decide the price of their Television Channels. However, the intended benefit for consumers to enable the freedom of choice could not be achieved completely due to misuse of available flexibility by a group of service providers.

¹ TRAI has issued Telecommunication (Broadcasting and Cable) Services Interconnection (Addressable Systems) (Second Amendment) Regulations, 2020 (1 of 2020), Telecommunication (Broadcasting and Cable) Services Standards of Quality of Service and Consumer Protection (Third Amendment) Regulations, 2020 (2 of 2020) and Telecommunication (Broadcasting and Cable) Services Interconnection (Addressable Systems) Tariff order (Second amendment) (1 of 2020) on 1 January 2020. Accessible at <https://main.trai.gov.in/notifications/press-release/trai-releases-amendments-tariff-order-interconnection-regulations-and>



3. NTO 2.0 while facilitates consumers to choose channels of their choice either as A-la-Carte or bouquet of channels, it also ensures that prices of a-la-carte channels are not illusory. Consumers can now choose 200 channels of their choice excluding mandated Prasarbharti channels in maximum network capacity fee (NCF) of Rs 130/- per month. Relief has also been given to Multi-TV home subscribers as they would pay only 40% of NCF for every second and additional TVs in a home. The concerns of FTA, News and regional broadcasters have also been addressed by capping maximum carriage fee payable by a broadcaster to a DPO for a TV channel per month. MSO, IPTV providers, HITS operator has also been mandated that their target market cannot be more than state or Union territory, as the case may be. Concern of all the broadcasters regarding placement fee and misuse by few DPOs manipulating Electronic Program Guide (EPG) has also been addressed.
4. It is important to note that the Broadcasters continue to have full flexibility to price their channel as Maximum Retail Price (MRP) of any channel remains in forbearance. NTO 2.0 prescribe linkage between A-la-carte price and Bouquet by mandating that sum of the A-la-carte channels in a bouquet will not be more than 1.5 times to that of bouquet price. It has also prescribed condition that MRP of a a-la-carte channel should not be more than Rs 12/- per month to be part of the bouquet which was Rs 19/- earlier. These steps become necessary to curb misuse of pricing facility by few broadcasters. It is important to mention here that after implementation of NTO, some broadcasters enhanced their channel prices drastically, which in large number of cases were more than 100%. Such price increase is anti-consumer and forces regulatory interventions. TRAI believes that transparent mechanism needs to be adopted to encourage market discovery of channel price, but any attempt to scuttle consumer choice either through non-transparent pricing practices or other similar means need to be discouraged.
5. Multi-TV home has been another area of concern. There have been instances where NCF was charged for each of the TV in a home while cost to provide additional TV in a home was far less. TRAI believes that in Multi-TV home DPOs must only take were incremental cost from subscribers. Accordingly, TRAI has



mandated that DPOs can charge only 40% of NCF for second and any additional TV in a home.

6. In addition to above, there were instances, where huge carriage fee was demanded by large Distribution Platform Operators (DPOs). In addition, as the DPOs could change the Channel Number every year, they were demanding huge placement charges from some broadcasters. Regional broadcasters and small channels were facing serious threat of removal of their channels from platform owing to their lower penetration. These issues have also been addressed and level playing field has been ensured to each broadcaster so that sector can grow.
7. The amendments through NTO 2.0 have left the basic structure of the regulatory framework unchanged with very minor modifications targeted to address teething problems relating to smooth implementation. It provides complete freedom to Broadcasters/ DPOs to price their services while ensuring that consumers get freedom to choose the TV channels. The review exercise has been limited to certain consumer friendly measures including those which are necessary to balance the interest of stakeholders. Summary of these new measures is as below:
 - i. Now a consumer can enjoy 200 SD (plus mandatory channels) television channels in basic NCF of Rs. 130/- per month. Further even for higher number of channels the maximum NCF has been capped @ Rs.160 per month. This will also benefit broadcasters, especially News & Regional FTA channels, as there are higher chances of subscription of their channels.
 - ii. Provision of discounts in NCFs for multi TV homes. DPOs shall not charge more than 40% of declared NCF per additional TV for 2nd TV connection onwards in a multi-TV home.
 - iii. Introduction of a time tested and industry accepted twin-conditions, to ensure that there is a reasonable relationship between the prices of pay channels on a-la-carte basis and the bouquet:
 - iv. Reduction of ceiling price of pay channel for inclusion in any bouquet from Rs.19 to Rs.12 so as to ensure fair packaging of bouquets. This will ensure reasonable price of a channel on A-la-Carte basis.



- v. Flexibility to DPOs to declare different NCFs for different regions/areas within its service area. This provision will help DPOs to innovate and cater to local demands in their tariff offerings resulting in lower NCF in rural/remote areas.
 - vi. Flexibility for DPOs to offer promotional schemes. They can also offer discounts on NCF and Distributor Retail Prices (DRP) on long term subscriptions, having duration 6 months or above.
 - vii. Capping of the carriage fee @ Rs. four lakhs (Rs. 4 Lakh) per Standard Definition (SD) Channel per month for a DPO. This will ensure viability of news, regional and niche channels.
 - viii. Full flexibility to the DPOs to organise the television channels on EPG based on Language or Genre. The provision will safeguard consumers' and broadcasters' interest vis-à-vis erstwhile arbitrary manoeuvring by DPOs. This will also save regional and smaller broadcasters from any probable misuse by DPO.
8. The amendments provide appropriate time to stakeholders for implementation. Broadcasters may publish revised MRP of a-la-carte channels and bouquets by 15th January 2020. Similarly, DPOs may publish revised offerings on their website by 30th January. **Consumers will be able to benefit as per the amended provisions with effect from 1st March 2020.** The amendments will usher in better offerings, reduced NCF, more flexible tariff schemes and more choices for consumers.
9. For any clarifications/ information, the following officers may be contacted:
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