

**Consultation Paper no.16/2019 on Issues related to Interconnection Regulation,  
2017 dated 25<sup>th</sup> September, 2019**

Q1. Do you think that the flexibility of defining the target market is being misused by the distribution platform operators for determining carriage fee?.Provide requisite details and facts supported by documents/ data. If yes, please provide your comments on possible solution to address this issues?

Response:

No, it is never misused. Despite the fact that India is a multi lingual country and the subscribers are pan India, DPOs have mostly defined the target area based on Headend location.

Q2. Should there be a cap on the amount of carriage fee that a broadcaster may be required to pay to a DPO? If yes, what should be the amount of this cap and the basis of arriving at the same?

Response:

- a) No. There should not be a cap on the amount of carriage fee. As per the Interconnect regulations 2017 - Regulation 8 the authority has derived 20 paise per subscriber for the SD channel and 40 paise per subscriber for the HD channel which is very low.
- b) It may be noted that the cost structure of MSO to deliver signal to the LCO varies based on subscriber density and the distance. Cost of carrying to DAS 4 towns is much more (because of NLD cost and low subscriber base) than delivering signal within a city.
  - b) Since the cost of carrying the channel is independent of the number of subscribers subscribing to the channel, the slab system of carriage fee based on penetration should be avoided.
  - c) Carriage fee is an important and significant portion of reveue of a DPO, a cap on carriage fee as low as 20 paisa (going futher down to zero in the case of more than 20% penetration)weakens the MSO's financials.

Q3. How should cost of carrying a channel may be determined both for DTH platform and MSO platform? Please provide detailed justification and facts supported by documents/ data.

Response:

The cost of carrying the channel depends on capital expenditure of setting up the headend, operational cost of maintaining the network (power, pole rent/ROW, maintenance, labour, materials).

The cost of delivering the signal to LCO will vary depending on whether it is a city or town or village. The cost of bandwidth to deliver signal to LCO is in the range of Rs.10-20 Lakhs per annum (fixed cost irrespective of subscriber base) from a telecom service provider for 1.5 Gbps bandwidth. In a DAS4 area the subscriber base may be as low as 3000 subscribers leading to a transportation charge of Rs.25 to Rs.50 per month per subscriber for all channels which is borne by the MSO. This is in addition to the capital expenditure incurred by the MSO including Conditional Access system and STB cost. However in a metro city this transportation cost may be much lower as the subscriber base is larger hence a uniform carriage fee across the country is not logical and hence the same may be left to the market forces instead of being regulated.

Q4. Do you think that the right granted to the DPO to decline to carry a channel having a subscriber base less than 5% in the immediately preceding six months is likely to be misused? If yes, what can be done to prevent such misuse?

Response:

No, the right granted to the DPOs to decline to carry a channel having subscriber base less than 5% in the immediately preceding six months is not misused.

As the cost of carrying a channel does not change based on the channel penetration, the slab system of carriage fee may be done away with and make it uniform.

Moreover given the high fixed cost incurred by the MSO in transporting the signals especially to DAS3 and DAS4 areas, a low carriage fee of 20 paise is not justifiable.

Q5. Should there be a well-defined framework for Interconnection Agreements for placement? Should placement fee be regulated? If yes, what should be the parameters for regulating such fee? Support your answer with industry data/reasons.

Response:

There is no need to introduce a framework of Interconnection Agreements for placement. The placement fee is already been regulated. In EPG, the channels being carried on a DPO's network can be arranged wherein the subscriber can easily go through the EPG and select the channel of choice. As per the Regulations, the LCN cannot be changed before one year from the date of assignment of the channels which is favourable to broadcaster. Furthermore, the Authority has pointed out in para 98 of the Explanatory Memorandum to the Interconnection Regulations 2017, that the placements of channels have been adequately regulated and necessary protection has been granted to the broadcaster so that their channels are not placed at any disadvantageous position in the EPG.

It is submitted that the placement of a particular channel should be left to the MSO.

Because of the competition between the broadcasters for better TRPs, they demand better placement of their channels and are willing to pay a price for the position, though it is not mandatory for the broadcaster to pay the placement fee.

Q6. Do you think that the forbearance provided to the service providers for agreements related to placement, marketing or any other agreement is favoring DPOs? Does such forbearance allow the service providers to distort the level playing field? Please provide facts and supporting data/ documents for your answer(s).

-Response:

No. The agreements related to placement/ marketing is for a mutual benefit and not at all mandatory as per regulations. The broadcasters shall get advantage through ad

revenue and the popularity . Such forbearance does not distort the “ Level Playing Field”. In the Interconnection Regulations 2017, the broadcasters have been given freedom to declare the genre of their channels and DPOs have been mandated to place the channels in the EPG under the respective genres so declared by the broadcasters. Further, the Authority has itself pointed out that the placements of channels have been adequately regulated and necessary protection has been granted to the broadcaster so that their channels are not placed at any disadvantageous position in the EPG. Furthermore, it is an exclusive prerogative of the Broadcasters whether to enter into agreements for placement and marketing or not and nothing compels them for such agreement and accordingly the said can neither be misused and nor will distort the level playing field

Q7. Do you think that the Authority should intervene and regulate the interconnection agreements such as place

ment, marketing or other agreement in any name? Support your answer with justification?

Response:

No the authority should not intervene in placement fee as other revenue streams like NCF, Distribution Fee and carriage fee are already regulated without regulation on input costs leading to a vulnerable business model for MSOs

The past 8 months of NTO has seen MSOs passing their margins to LCOs to ensure their viability. Any further regulation on MSO revenues will be harmful to the industry.

Q8. How can possibility of misuse of flexibility presently given to DPOs to enter into agreements such as marketing, placement or in any other name be curbed? Give your suggestions with justification.

Response:

The flexibility given to DPOs and Broadcasters to enter into agreements of marketing or placement is not being misused by DPOs.

