



Comments on

TRAI's Consultation Paper on
Restructuring of Cable TV services

RELIANCE
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Response to TRAI paper on 'Restructuring of Cable TV Services'

The cable services are not subject to any entry regulation excepting a simple registration procedure. The Cable Act or Rules do not prescribe as to the area where one can operate, number of operators in an area or any qualification in terms of financial, managerial, or technical capabilities of the units for getting registered a cable operator. This uncontrolled and unregulated growth has led to proliferation of operators and fragmentation in the cable services market. Due to highly fragmented cable service market, the industry could not adopt any new technology to digitalize cable services and provide innovative value added services.

There is no assurance on quality of services on cable systems. Though cable service technology has tremendously improved but cable services in India continue to operate in analogue mode resulting in capacity constraint. The consumers desire uninterrupted good quality cable service which is only possible through the high quality network performance. The cable operators would be able to upgrade only in case some minimum qualifying conditions are laid down

We welcome the opportunity given to respond to the important issues raised in the consultation paper. Our comments on specific issues raised in the paper are given below:

4.1 The technological advancements, convergence, and increasing popularity of value added services and applications require more vibrant and effective regulation for cable TV industry. Present eligibility criteria do not clearly define a person and also do not take into account financial strength, technical strength and experience of the applicant to provide cable TV services. Do you feel that present regulatory framework requires change? Please give suggestions with justifications.

Cable TV is just another way of delivering Pay TV services to subscribers. In this it competes with distributing platforms like DTH and IPTV. Both DTH (under the DTH license) and IPTV (under the UASL license) place stringent demands on the licensee for qualification.

To ensure equity and level playing field between different mediums of distribution, quality of service and regulatory control over cable TV services, very similar eligibility norms should be placed on all distributors of content.

Regulatory also, it is felt that the current system has multiple distinctions in terms of non-CAS, CAS, DTH, IPTV, HITS, etc, which are not sustainable in the long term and each of which creates a differential and non-level field. In the longer term, there should be one set of criteria applicable for IPTV, DTH, HITS and MSOs and a light touch regulation for Local Cable Operators (LCOs)

The existing definition of MSOs and LCOs may need certain changes to clearly bring out the distinction between the scope of service which can be offered by LCO and

MSO. The LCO should only be allowed to retransmit the TV channels offered by an MSO. The aggregation of satellite TV channels should be under the scope of services for MSO.

The existing Cable Networks Regulation Act would require changes to bring in desired results. The eligibility norms should be enforced on the Multi system operators (MSOs), would be aggregating entities for providing signals to LCOs. **The LCOs should be treated as a franchise of MSOs. Onus of Regulatory compliance should be put on MSOs as this will lead better administrative and regulatory control over cable services.** Correct level of regulation, supervision and control over MSOs can act as the starting point for organizing this chaotic sector. It is hence necessary to look at the entire cable TV sector in a two tiers/hierarchical approach – regulations required for aggregating entities (MSOs) and regulations required for franchisees / last mile operators (LCOs).

Suggestions for LCOs

LCOs should be subjected to “light touch” regulation with greater focus on submission of information regarding connectivity, service levels, etc. The aggregation of TV channels should be **should be kept out of the scope of services of LCOs..** Accordingly, our suggestions regarding LCOs are given under:

- (i) Scope of services: To be limited to cable services only. Services like IPTV, Aggregation of satellite/terrestrial TV channels, should NOT be allowed to be provided under LCO registration
- (ii) Eligibility: In case the applicant is a company, then (a) it should be an Indian Company registered under Indian Company’s Act, 1956 (b) Total foreign equity holding including FDI/NRI/OCB/FII in the applicant company not to exceed 49% and; (c) The applicant company must have Indian Management Control with majority representatives on the board as well as the Chief Executive of the company being a resident Indian.
- (iii) Eligibility: The Cable Act currently does not cast any requirement relating to the financial strength, educational qualification, technical knowledge or experience to run such services. As a result any person as described above can register himself with the registering authority and can start providing cable TV services. However, in view of the fact the scope of services is proposed to be limited to cable and as many of these operators have extensive filed operations experience, no such eligibility criteria may be specified.
- (iv) Documents required for registration:
 - a) Individual: Passport / Ration card / Voters ID as proof of Indian citizenship; Certification that the person has not been convicted for any offence; Certification that the person has not been banned by any Governmental Authority from carrying on services of LCO
 - b) In case of companies, Memorandum and Articles of Association and certified copy of equity shareholding of the company and Details of Board of Directors

- c) Service Tax registration
 - d) Entertainment Tax number
 - e) PAN number
 - f) Shops and Establishments registration
- (v) Authority for control of the sector: The present regime envisages Postal Authorities as the registering authority and local authorities such as district magistrates as being responsible for enforcement. There is no authority assigned for collection, aggregation and analysis of information and for filing of reports. Our suggestion is to have a completely revised set-up whereby: Information to be provided by cable operators to MSO who will file it with TRAI as a centralized entity. Information collection can be through a web based system. Non-provision of information should be treated as violation of TRAI's regulations in this regard and license/registration conditions. The registration certificate should clearly mention that non-provision of requisite information may lead to cancellation of registration.
- (vi) Registration: Every LCO operator should be given a unique LCO code at the time of registration / renewal. This "LCO code" should be the control point for monitoring provision of content by MSO to LCO and for filing of information by them.
- (vii) Registration Period: The registration should be valid for a period of 5 years which can be extendable for another 5 years.

Suggestions for MSOs

The function and nature of business of an MSO is somewhat different as compared to a LCO. MSO works in close co-ordination to broadcasters and works as content aggregator whereas LCO basically work as carrier to provide channels to the customer. However, the MSOs in many places may also work as last mile cable TV operator also providing TV channels directly to some subscriber. It is suggested that looking at the distinct functional responsibility of MSOs; a separate regulatory provision is warranted. This would enable the MSOs to have well defined commercial and technical agreements with broadcasters on one hand and LCOs on the other. The Regulation on Interconnection notified by the Authority has defined MSOs and Local Cable Operators as distinct entities.

MSOs require substantial investment for up gradation of existing equipment and adoption of new technologies. Licensing can provide framework for up gradation and help in getting institutional finance. Even the Authority had similar findings in its recommendations on Digitalization of Cable Networks. It is therefore proposed that MSOs should be licensed.

MSOs being multi-location entities with the role of infrastructure provision and content aggregation should be subjected to different sets of regulations akin to DTH / IPTV / other operators. Our suggestions in this regard are as follows:

- (i) Scope of services: To be inclusive of all technologies and services for content distribution. MSOs shall be primarily responsible for provision of information to TRAI on all LCOs registered with them. MSOs to provide content to registered LCOs only.
- (ii) Eligibility criteria: The eligibility criteria should include the following points broadly covering amongst other things details on financial strength, technical strength, experience and ownership.
 - a) Applicant Company to be an Indian Company registered under Indian Company's Act, 1956.
 - b) Total foreign equity holding including FDI/NRI/OCB/FII in the applicant company not to exceed 49%.
 - c) The applicant company must have Indian Management Control with majority representatives on the board as well as the Chief Executive of the company being a resident Indian.
 - d) Broadcasting companies shall not be eligible to collectively own more than 20% of the total equity of Applicant Company at any time during the license period. Similarly, the applicant company not to have more than 20% equity share in a broadcasting company.
 - e) The Licensee shall be required to submit the equity distribution of the Company once within one month of start of every financial year to the licensor
 - f) QoS/Grievances redressal: MSOs providing services to end customers should be subject to the same regulations as DTH operators.
 - g) Minimum Net worth of Rs 10 crores
- (iii) Licensing process: License to be issued by Government of India
- (iv) License Fee: MSOs should be subject to Revenue share at the same levels as applicable to other All India platforms such as DTH, HITS and IPTV

IN SUMMARY

- (i) **The existing registration process may continue for LCOs subject to suggestions mentioned above**
- (ii) **MSOs should be subject to licensing.**
- (iii) **There is need to clearly define the scope of services to be offered by LCOs and MSOs**

4.2 The registering authority may refuse the grant of registration in case of non submission of any document required by him as the application form does not

clearly list out the documents to be submitted. In view of this should a comprehensive list of documents required to be submitted along-with the application of registration be mentioned in the application form itself? Similarly is there a need to make provisions for the appellate authority in case of refusal of registration by the registering authority?

Documents for LCOs: Covered in question 4.1 above

In addition, for subscriber acquisition, the LCOs should follow the practices being followed by Telecom operators. There should be a standard Customer Application Form which should be properly filled up and supporting documents like proof of identity, proof of Address verified with Original documents should be attached to it. The cable operators should do proper address verification for ensuring correctness of address proof in CAF and supporting document. This A/V process can be similar to as is being done by telecom operators at present. The CAF for Cable services should be periodically audited in order to ensure compliance by all LCOs. This is important from security perspective also. By doing this, there will be a definite improvement in declaration and proper accounting of subscriber number also by a LCO.

Documents for MSOs

There should be a comprehensive list of documents required to be submitted along-with the application of registration and these should be mentioned as a part of the application form to ensure transparency and ease of process. This list of required documents could include the following;

1. Name of the company and registration details (to enclose certificate of incorporation/registration)
2. Particulars of Chief Executive and other Directors of the company
3. Address and other contact details of the company
4. Structure of Equity Capital
 - a. Authorized share capital
 - b. Paid up share capital
5. Share-Holding pattern: (Enclose details as per Annexure)
 - a. Direct investment (as % of total paid up capital)
 - I. Indian _____%
 - II. Foreign _____%

Break-up of Foreign Direct Investment

- Individual.....%
- Company.....%
- NRI.....%
- OCB.....%
- PIO.....%

- b. Portfolio Investments
 - I. Indian.....%
 - II. Foreign.....%

- Break-up of foreign portfolio Investment
 - FII's
 - NRIs
 - OCBs
 - PIOs

- 6. Particulars of other business/activities.
- 7. Details of network architecture and components proposed to be laid out.
 - a. Headend details: Name and type of headend equipment vendors
 - b. Network diagram and area covered
 - c. Call center details and Customer care processes
 - d. List and number of proposed number of channels
- 8. Particulars of the other broadcasting companies and cable network companies holding share in the applicant company along with the quantum of share holdings
- 9. Particulars of equity holding of the applicant company in other broadcasting companies and cable network companies

4.3 The present cable TV industry is subjected to minimum supervisory guidance and control. Do you feel that there is a need to streamline registration process, data collection and monitoring to ensure better cable TV services to customers? Is there a need to have a centralized/ decentralized authority where all the information relating to cable TV sector and also monitoring is managed? If yes, then what should be the structure and scope of work of such an agency? Please, give suggestions with justification.

Cable TV industry is one of the least regulated industries in the country currently. The MSOs and LCOs are not required to submit any information related to subscribers, quality of services, content, network, or pricing/ packaging. Since cable TV is consumed by more than 75 million customers, it is pivotal that the service providers be regulated and monitored.

There already exists infrastructure for redressal of consumer grievances in the form of central and local vigilance bodies. **It is proposed TRAI should open regional offices and powers be delegated under section 33 of the TRAI Act to the regional heads to monitor and ensure compliance of regulatory requirements for the widely spread cable TV industry.** The scope of the regional offices can include:

Cable TV operators and MSO's should be mandated to provide/ maintain such information as detailed below on a monthly basis;

- 1. LCO-wise number of subscribers

2. Own subscribers – number of subscribers and other such subscriber related details as may be desired by the regulatory body from time to time
3. Filing of tariff packages finalized by them from time to time for own subscribers
4. Details regarding customer grievances, redressal mechanism and quality of services for own subscribers / affiliated LCO subscribers
 - a. Appointment of Nodal officer for grievance redressal and publicity of the same
 - b. Be accessible to the subscribers at the address publicized
 - c. Register every complaint lodged by the subscriber
 - d. Issue acknowledgment of the complaint by issuing a receipt indicating the unique complaint number
 - e. Intimate, the decision taken in respect of such complaint, to the subscriber, immediately after taking the remedial measure for redressal of the grievance.
 - f. Manual of Practice containing details of Call Centre and Nodal Officers, procedure of redressal, duties of MSO/LCO etc should be provided to the subscriber at the time of installation of services
5. Every cable operator/MSO should maintain the complete and accurate records of redressal of grievances of the subscribers by its Call Centers and Nodal Officers
 - a. Stringent response time norms on the Call Center operations,
 1. Eighty per cent. of calls to be answered within twenty seconds electronically and
 2. Ninety- five per cent. Of calls to be answered within forty seconds electronically.
 3. Eighty per cent. of calls to be answered (voice to voice) (other than by electronic means) within sixty seconds;
 4. Ninety- five per cent. of calls to be answered (voice to voice) (other than by electronic means) within ninety seconds
6. The Authority should to ensure compliance of the provisions of its regulations, direct any of its officers or employees or through one or more persons appointed by the Authority to inspect any Call Centre and office of the Nodal Officer and the records maintained, and submit to the Authority a report in respect of such inspection.
7. The Authority should require the MSO/LCO to—

- a. get the records maintained audited through one or more officers or persons appointed by the Authority and submit the report in respect of such audit to the Authority
 - b. get the records maintained audited through an independent agency as may be specified by the Authority and submit the report in respect of such audit to the Authority
8. On complaints forwarded to MSO/LCO by the Authority
- a. The MSO/LCO should resolve or redress such complaints within fifteen days from the date of forwarding of the complaints by the Authority.
 - b. The MSO/LCO should inform the concerned subscriber and the Authority regarding resolution or redressal of the complaint within one month from the date of forwarding of the complaints

4.4 Present cable TV registration, the Cable Act and the Cable Rules do not cast any specific responsibility for effective customer grievance redressal. What changes do you suggest to bring in effective consumer grievance redressal mechanism?

Mentioned above as response to point 4.3 and discussed subsequently in 4.10.

4.5 At present by and large only one cable TV operator is providing service in a locality. Is there a need to introduce competition with more than one operator? Please give your suggestions with justifications.

Given that the last mile of cable TV is currently controlled by the LCO there is a monopoly stranglehold being maintained by LCOs. To ensure choice and higher quality of services to the consumer it is necessary that there be more competition in the cable distribution services. There is need to increase competition not only from cable networks but also from alternate technologies like DTH, IPTV, HITS etc. To ensure growth of competition it is imperative that the level playing field is ensured between competing technologies.

At present the broadcasters are offering channels to DTH operators at rates which makes this platform uncompetitive vis-à-vis Analog and Digital cable services. Unless prices are regulated, the DTH services would not be able to penetrate and give effective competition to the cable services.

The DTH is only platform which can give effective competition to the incumbent cable services across the country. The affordable DTH services would not only increase the affordability but also provide quality services to consumers and lot of carriage services for broadcasters.

Comments

Addressable services (such as voluntary CAS, DTH, IPTV) effectively serve the same purpose and therefore should be encouraged by instituting such regulatory steps as may bring about a level playing field and make addressable services affordable as compared to cable. This would require Mandating a price ceiling

on channel prices at Rs 2.25 per channel (similar to CAS) for all addressable systems.

4.6 Any other regulatory reform.

As above

4.7 In view of deliberation in para 3.2, is there a need to modify provisions of the Cable Act/ Cable Rules? Please give your suggestions with justifications.

4.8 In particular, suggestions may be given for a proper regulatory framework on the following issues, among others:

(iv) Correct determination of subscriber base

(v) Laying a good quality network

(vi) Permission and monitoring of ground-based channels offered by MSOs and LCOs.

Determination of subscriber base

Service Tax, Entertainment tax is dependent on number of subscribers declared by the service providers. The subscribers' base is not just a negotiated number between broadcaster and MSO/LCO. The correct declaration of subscriber base and revenue collected from them is a legal requirement under Service Tax Act, Entertainment Tax Acts of respective states. The incorrect declaration of subscriber base tantamount to tax evasion.

The following are the suggestions for correct determination of subscriber base:

- (a) Broadcasters to provide content to MSOs only and not to LCOs. LCOs shall have to obtain license in case they wish to aggregate TV channels.
- (b) MSOs to provide content only to registered LCOs
- (c) MSOs to coordinate monthly reports on subscribers for each LCO affiliated to them
- (d) Such subscriber reports by MSOs to be made public to all broadcasters and governmental authorities (entertainment tax, service tax and income tax authorities)
- (e) Ensuring regular reporting and monitoring monthly trends in reporting would enable commencement of monitoring of the sector
- (f) Regulator to penalize erring MSOs / LCOs

Laying a good quality network

The Regulator should incentives digitization of services by ensuring appropriate content cost regulations are in place for Voluntary CAS. Lack of a framework for facilitating Voluntary CAS is the main impediment for operators to upgrade their networks. While providing incentives, the regulator should control the entry of "voluntary CAS" operators by prescribing detailed net worth, experience and other eligibility criteria for such operators.

Mandating free availability of “Right of Way” (ROW) from central and state governments, municipalities and housing societies has been one of the fervent demands of broadband operators, over the years. However, the same has not been met resulting in inability of high quality access networks to be extended to customers. This is a common issue across ISP / broadband / cable service providers.

The quality of the cable service depends on the network design, planning, operation and maintenance and the management of the service. The technical standards of equipment are decided by the Bureau of Indian Standards and cable operators are bound to use these equipment in the network. The Authority should ensure and enforce use of BIS standards compliant equipment and cables by cable operators.

Permission and monitoring of ground-based channels offered by MSOs and LCOs

MSOs and LCOs are covered by advertisement and programming code. The Authorised officers have powers to confiscate equipment in case they violate these codes.

Cable operators are also required to maintain a register about all programmes transmitted/re-transmitted by them.

Additionally cable operators are bound by copy right act.

These provisions are sufficient to monitor ground based channels offered by MSOs/LCOs.

4.9 Presently MSOs are also registered as Cable TV operators. Do you feel the need for a different regulatory framework for MSOs in view of discussions in section 3.3? Give your suggestions with justification. The suggestions may specifically cover, among others, the issues relating to registration of multi-city MSOs, monitoring mechanism, number of MSOs in a city/state etc.

Presently LCOs number more than 70,000 across India, while MSO’s number around 6,000. Since MSO’s are akin to wholesale distributors in the TV distribution and control the distribution of feed to LCOs it is important and proper that MSOs be treated differently from LCOs and have a different regulatory framework.

Comment

MSOs should obtain license from Ministry of I&B. The guidelines for MSOs have been specified above in response to 4.1 and 4.2.

4.10 What QoS parameters should be prescribed for non CAS areas to address concerns of the customers keeping in view the present status of networks? What should be the points in the network to define various signal parameters such signal strength, S/N ratio etc? What should be the monitoring mechanism to ensure effective implementation?

The Authority has notified Quality of Service standards for DTH and Cable services in CAS areas. However similar regulation is not in place for cable systems operating

in non-CAS areas. The delay in issue of regulation for such cable systems is affecting consumer interest especially for the reason that most cable networks are operating in monopoly.

The Authority in its recommendation dated 1.10.2004 had issued the draft Quality of Service Regulation for analogue Cable TV services. However it was not notified as it was opined that the regulatory enforcement machinery is not in place.

We do not believe that the lack of enforcement resources can be the reason for delay in the issue of regulation. The Authority prior to this recommendation has notified the price regulation for cable networks in CAS and Non-CAS areas which is effective across the country. If the Tariff Order can be enforced then there is no reason why QoS guidelines for cable networks cannot be enforced. The Authority has sufficient powers to open regional offices or to make effective framework for enforcement of its regulation and delegate powers under section 13 of the TRAI Act to such regional heads.

Comments

In view of our submissions above we suggest the QoS guidelines at par with the DTH and CAS cable networks or draft notification in the recommendations dated 1.10.2004 should be notified.

4.11 In view of technological advancement, convergence, and increasing competition up gradation of cable TV operator's network will be desirable; however it may require significant investments. Please suggest how cable TV operators can be encouraged to upgrade their network both in their business interest and in interest of customer to provide better services?

The Regulator should incentivize digitization of services by ensuring appropriate content cost regulations are in place for Voluntary CAS. Lack of a framework for facilitating Voluntary CAS is the main impediment for operators to upgrade their networks. While providing incentives, the regulator should control the entry of "voluntary CAS" operators by prescribing detailed net worth, experience and other eligibility criteria for such operators.

Comments

- (i) Content price should be regulated
- (ii) Proper licensing conditions as suggested in 4.1 and 4.2 may be laid down

4.12 Is standardization of encryption and subscriber management software Feasible? Please, give comments with justification.

Standardization of encryption and SMS software is not considered a feasible option not would it be an advisable option considering the requirement for having of multiple vendors.

Standardization of back-end software of distribution platforms as a regulatory objective serves no purpose either for the industry or for the end customer.

4.13 What should be the consideration, important criteria and guiding factors for prescribing the transition path for the existing cable TV operators and MSOs to the revised regulatory regime? Please, give suggestions with justification.

LCOs should be mandated to provide the revised documentation and meet reporting requirements.

New regulations for MSOs should be put in place and MSOs should be allowed a transition time of 180 days for obtaining license under the new regime.
