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dth services



Ref No: RP/FY 16-17/087/083

Dated: 15th November 2016

To,
Advisor (B&CS)-III,
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
J.L. Nehru Marg, Old Minto Road
New Delhi - 110002

Subject: Consultation on the draft Standards of Quality of Service and Consumer Protection (Digital Addressable Systems) Regulations, 2016

Kind Attention: Sh. Prof. M. Kasim

Dear Sir

This is with reference to the above mentioned draft Regulation. In this regard, please find enclosed our response for your kind consideration.

Thanking you
Yours sincerely
For Bharti Telemedia Limited

A handwritten signature in blue ink, appearing to read 'Ravi P. Gandhi', with a horizontal line underneath.

Ravi P. Gandhi
Authorized Signatory

Enclosed: mentioned above

Bharti Telemedia Limited's Response to TRAI's Consultation on the draft Standards of Quality of Service and Consumer Protection (Digital Addressable Systems) Regulations, 2016

At the outset, we sincerely thank you for providing us with the opportunity to submit our response on the draft TIO. We hope that TRAI will consider our submissions favourably.

Prior to making the detailed submissions on the draft Regulation, we humbly submit that the draft proposed regulation intends to micromanage the business of DTH operators in an intensely competitive market could. For instance, the draft regulation seeks to regulate the maximum service charge for the installation and activation of DTH connections, and the price of support services such as visit charges and prescribes a minimum warranty period for customer premises equipment (CPE). Such a policy framework, once implemented, would prevent DTH operators from running their business freely and fairly, and is against the principles of free market dynamics.

The Indian broadcasting sector is intensively competitive at the retail level, with the presence of 60,000 LCOs, 6,000 MSOs, 7 DTH, 2 HITS and numerous IPTV operators. The Distribution Platform Operators (DPOs) have become substitutable for one another (for instance, digital cable versus DTH) giving consumers multiple options for availing TV services at highly competitive prices. In today's scenario, every DPO offers affordable, innovative and customer-friendly tariffs and support services in order to attract and retain end customers.

In such a competitive market, the regulatory framework should be developed to provide adequate flexibility to DTH operators to run their business independently, rather than advancing a regulated regime which would destroy innovation, efficiency and deter fresh investment into the sector, especially in the background of an ex-ante regulation in a fiercely competitive market. Given the focus on digitization and progression of the country into a digital economy and leader, all regulatory interventions and changes should be towards the ease of providing services and providing best-in-class services to the customers. That would lead to growth of business, and also the growth of the economy.

In light of the above, we sincerely hope that TRAI will review its proposal to regulate such minor operational aspects of the DTH business and facilitate the ease of doing business in the broadcasting sector as well. We humbly request TRAI not to fix any type

of fixed charge in this highly competitive DTH/cable market and to continue to keep all types of retail tariffs under forbearance.

We respectfully submit our views on the draft Regulation:

1. Installation and activation charges:

- a. In the draft regulation, TRAI has prescribed the maximum installation (Rs. 350/-) and activation charges (Rs. 100/-)¹ that DTH operators can collect from their customers.
- b. We humbly submit that installation and activation are operational matters of the DTH business, which should be out of the ambit of the scope of regulations. Such matters should not be micromanaged as the costs pertaining to them are dynamic in nature. They should instead be left to be determined on the basis of competitive forces, scale of operations, efficiency of operators and market dynamics. These costs are based on various factors, such as the availability of vendors and engineers, cost of transportation, place of installation, number of customers in a given location, cost of training, and wages of skilled labourers, which vary from one state to another. Similarly, the activation costs inter-alia include distribution margins, marketing and sales costs, call centre costs and all other incidental costs.
- c. The activation charge is a consolidated levy for the recovery of various costs incurred in making a connection available to an end user. In fact, it would be pertinent to note that the CPE is provided to customers at a subsidy, and it takes considerable time to recover the cost. Fixing the installation and activation charges as per the draft regulation will prevent the operators from recovering even the fixed costs incurred while activating a customer.
- d. A fixed and regulated installation and activation charge will also restrict the DTH operators' ability to recover their operational costs and thereby impact the quality of the equipment, installation and services being made available to the customer. Thus, we humbly request TRAI for the following:
 - i. No maximum charge should be prescribed for installation and activation and such charges should instead be left to market forces.

¹ Para 4 (6) (7), Page No. 10 and 11

- ii. Alternatively, DTH operators should be permitted to recover miscellaneous costs from customers in the form of 'service charges' or 'miscellaneous charges', which should be kept under forbearance.

2. Minimum warranty period of STBs

- a. The draft tariff order restricts DTH operators from recovering any charges for repairs and maintenance of CPE for a period of 5 years. Further, during this warranty period, a DTH operator is forbidden to levy visit charges.
- b. We believe that any proposal to regulate the warranty period for CPE/hardware is unwarranted. To our understanding, under the TRAI Act, TRAI may frame the rules related to the rates of telecom and broadcasting services but not those related to hardware (handsets, CPE, modem, etc.). The provision of CPE is not a licensed activity and can be offered either by DTH operators or by a third party. These are merely hardware goods or equipment that is deployed for provisioning of DTH services. Due to a lack of open architecture of the CPE, DTH operators offer CPE along with the activation of services. In fact, in the telecom sector, TRAI has never intervened in the regulation of handsets even in the case of CDMA services, where the handsets were network-locked or related to modem and dongle.
- c. Further, TRAI has proposed DTH operators to offer the following types of schemes for the selling of CPE:
 - Outright purchase scheme
 - Rental scheme
 - Other schemes

In case of an outright purchase scheme, the DTH operator will provide the customer with a standard warranty of one year, whereas in case of other schemes the warranty provided is for five years. Since CPE procured for a third party will be the same for all schemes, it cannot have different warranty periods for different schemes, especially in a situation where the standard warranty for most electronic goods is 12 months. A DTH operator cannot increase the warranty period of CPE beyond the warranty period provided by the OE manufacturer.

- d. Moreover, the CPE may suffer damages due to voltage fluctuation, electrical failure, environmental factors or weather phenomena such as rain, thunderstorms and lightning, which are beyond the control of a DTH operator. All such damages would require engineer visits for rectification. Even user-related faults such as mishandling of remotes as well as usual wear and tear would have to be covered. However, as per the draft regulation, DTH operators will be burdened with replacement costs along with unlimited on-site visit costs.
- e. Further, such a regime would be subjective and lead to disputes between the customer and DTH operator as at the time of the payment of visit charges, customers might argue that the problem is related to CPE whereas according to the DTH operator, the problem might be related to other aspects. Such a regime would lead to numerous and unnecessary consumer complaints and adversely affect the brand image of DTH operators.
- f. Thus, we humbly request that complete freedom be given to DTH operators to decide the warranty of the hardware that they procure from third parties (and do not manufacture on their own). Furthermore, repairs and maintenance of CPE is an ongoing activity and a period of five years' free repair and maintenance would lead to huge out-of-pocket expenses for DTH operators since it would translate to unlimited on-site visits for fault repair, maintenance, etc.

3. Non-availability of channels on DPO's platform:

- a. In the draft order, TRAI has prescribed² that DTH operators cannot substitute dropped channels from their platform with alternative channels of their own accord. Further, the DTH operator will also have to reduce the subscription charges proportionately, taking into account the discount offered by the distributor of TV channels on the retail price of the bouquet.
- b. Currently, DTH operators are totally dependent on broadcasters for the provision of TV services. Hence, the non-availability of any channel on a DTH platform would most likely be for reasons beyond their control. To protect

² Para 8, Page no. 11 and 12

consumer interests, the DPO provides an alternate channel to its customers if any channel is dropped from its platform due to any reason. As per para 21 of the explanatory memorandum, any change in the composition of the bouquet due to a dropped channel shall be construed as the formation of a new bouquet.

Thereafter, in para 36 of the explanatory memorandum, TRAI has stated that services, once subscribed to by the subscriber, should not be modified without the consent of the specific subscriber and such consent-related communication should be duly preserved for a period of at least six months.

- c. We hope that in such scenarios, DTH operators will not be required to seek the consent of each and every customer. We also suggest that DTH operators be allowed to provide alternate channels in lieu of dropped channels with due intimation to their customers if the alternate channel becomes a part of the same bouquet to which the end customer has already subscribed.

4. Minimum protection to DTH operators:

- a. The para 28 of the explanatory memorandum of the draft regulation states, *the Authority is of the view that DPOs may charge refundable security deposit from the subscribers.*
- b. The Authority would appreciate that in case of the discontinuation of services by end customers, certain components of CPE, such as wire, connectors and dish antenna, have no further use despite DTH operators incurring significant costs on them. Additionally, DTH operators pay a commission to their agents which is, again, not refundable. Moreover, as part of any activation, the customer expects to be provided with new CPE. Once installed at the customer premises, the CPE loses its value by 90% and the DTH operator has no means to recover the cost of the same. Further, in a majority of the cases, once a CPE is returned by a customer it is not reused by any other customer.
- c. DTH operators may recover these costs from a subscriber that stays active with the platform for a long duration (at least 2 years). However, if a customer discontinues its subscription after a few months, the DTH operator has to suffer losses since a long period is required to recover these costs as well as other costs such as distribution margins.

- d. Therefore, we suggest that a reasonable lock-in period should be permitted in the regulation.

5. Price protection to the customers:

- a. TRAI, in its draft regulation, has stated that in case the charges for the subscription of TV broadcasting services are paid in advance for a specific period by a subscriber, the distributor of TV channels shall continue to provide the said subscriber with such services for the entire duration of that period without any increase in price.
- b. As per the draft regulation, broadcasters will be required to declare the MRPs of their channels and bouquets, based on which the DPOs would offer these channels to their end customers. Thus, if a broadcaster increases the price of their channels, DPOs should, in turn, not be prohibited to pass on the cost to their customers. Else, TRAI should not let broadcasters levy additional charges on DPOs for customers who have paid the subscription fee in advance for a specific period.

6. Cost of printed bill:

- a. As per the draft paper, the DTH operator, which operates on a pre-paid platform, is required to provide the billing information to their customers in electronic form only.
- b. Since some of the customers may not have email addresses and would end up opting for the printed bill, we hope that DTH operators can levy a reasonable charge of Rs.50 from end customers, as already permitted to telecom operators for their pre-paid customers.

7. Requirement of CAF

- a. As per the draft proposal, DTH operators will be required to ensure that their customers fill up the Consumer Agreement Form (CAF) before the activation of their services and that such forms be kept in safe custody (either in physical or electronic form).

- b. In this regard, we strongly recommend that the requirement of CAF should be re-examined. While the obligation of CAF is critical for the telecom sector to meet national security requirements, no such concern exists for customers using TV services. TV services essentially fulfil the customers' entertainment and knowledge needs of the customer and can be clubbed in the same category as the consumer durable products/services that are sold across the nation without any CAF requirement. There is no real concern on the misuse of TV services in any manner, as the communication via TV services is one-way, and not two-way as in the case of mobile services. Further, the content belongs to broadcasters and is not user-specific. For instance, this is evident from the fact that millions of Indians still watch Doordarshan Digital Terrestrial Television with the help of rooftop antennas.
- c. CAF has no relationship with the payouts made to the broadcasters. Such payouts are completely dependent on the SMS and CAS of DPOs, which are also audited by the broadcasters. Moreover, CAF does not have any relationship or relevance with respect to the quality of service.
- d. DTH is an entirely pre-paid platform and, therefore, there is no risk of incurring bad debts. While cable operators do not work on a pre-paid model, they usually provide their services after taking monthly usage charges in advance. Thus, there is no case of bad debts and even if such a case exists, it is commercial rather than regulatory in nature.
- e. We recommend that the obligation of CAF should be taken away, as it levies a huge cost burden on all DTH operators without serving any tangible or substantial purpose. It should be left open for the DTH operators to decide how much and what kind of customer information should be collected and stored (for example, the Aadhaar Card Number).