Cable Operators Federation of India

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Without Prejudice
(by Speed Post/E-mail)

Ref/COFI/TRAI/09/2015
Dated: 07 January 2016

The Chairman,
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg
New Delhi-110002

Kind Attn: Shri S.K.Singhal, Advisor (B&CS) and Shri S.M.K.Chandra

Sub: Comments on TRAI Consultation Paper on Draft Model & Standard Interconnection Agreements between MSO and LCO dated 09 December 2015 for offering cable TV services through Digital Addressable Systems

Dear Sir,

This is in reference to your Consultation Paper and draft model and standard and Interconnection Agreement between MSO and LCO dated 09 December 2015 and our comments sent to you earlier on your consultation on Interconnection Issues on 19 November 2015.

At the outset we wish to submit the following general points:-

1. **Keep LCO as the last mile owner.** The Model interconnection agreement must keep the status of LCOs in tact as owners of the last mile networks and not leave a chance for the MSOs to exploit them in any way and take over their networks by coercion or other means.

2. **Protect LCO from forced takeovers.** As seen in the past, many MSOs who have strong political links conspire with the local administration to not renew his yearly registration in the post offices or registration is cancelled under a fabricated excuse like piracy. This gives the MSO an opportunity to cut off LCO's signals and destroy his business. There are hundreds of such cases reported to us from Punjab, Tamil Nadu and other states.

3. **Ensure a minimum revenue share to make LCO business viable.** We again reiterate that revenue share given to the LCOs, must have a minimum limit, enabling him to run just the basic services with reasonable profit providing quality of services, complying with the regulations. TRAI should not assume the revenue from Pay channels as that will depend on customer

choice. The fall back regulations giving him a share of 35% must be reviewed in this context. All the parameters of operating an LCO network of an average size are well known to TRAI and financials can be easily worked out.

4. **MSO should not force his responsibility on the LCOs.** Set-Top-Box procurement and supply is the sole responsibility of the MSO. Keeping this in mind, there should be a well defined system of supplying the STBs to the consumers through LCOs with proper documents like invoice, warranty or hire purchase agreement etc. There should be no opportunity for MSO to make LCO compensate if a subscriber STB does not function properly or becomes faulty requiring replacement. Faulty STBs must be replaced immediately to avoid disruption in service.

5. **Non Payment of Subscription by Consumer.** Cases of non-payment by a subscriber due to any reason must be investigated by the MSO when brought to his notice by the LCO. Effort should be made to retain the connection rather than disconnect at the first opportunity. In many cases MSOs who do not own the last mile, force the LCO to disconnect such subscribers due to which LCO loses business.

We submit that all subscribers may not understand the implication of government directive of going digital and they may not like to pay more subscription due to:-

a) Cannot afford.
b) Subscribers TV set is old and does not give any benefit of digital Cable to him.
c) Subscriber does not get his choice of channels in the packages offered.
d) Subscriber only wants FTA channels and MSO does not offer the Rs 100 basic package.

In all such cases it is the LCO who suffers, both in business as well as goodwill. For an MSO, it is a new business, so he can afford to wait and watch but for an LCO it is a loss of subscriber he acquired years ago.

In many cases, MSOs do not listen to the problems put forth by the LCO and demand full payment of dues which is detrimental to LCOs business. Such cases must be avoided.

6. **Encourage integrated networks.** Interconnect agreements must bind MSOs and LCOs in a permanent or semi-permanent relationship so that together they move towards building a well integrated network providing all broadband services and not just 300-400 TV channels.

7. **Do not make Pay channels mandatory.** TRAI must accept only FTA cable operators or MSOs. This will create a level playing field with the Free Dish DTH of Prasar Bharati which has started accepting private broadcasters and even pay channels are coming on the platform in FTA mode. Particularly in Phase-III and IV, many Cable Networks are operating only FTA networks, charging very low subscriptions, affordable by even the poor households. Interconnect agreement must contain a clause where this arrangement of providing only FTA package is mentioned. TRAI can even recommend amendment in the regulations.

Powerful Pay Broadcasters are forcing MSOs to include their pay channels in the basic package to get maximum viewership. It should not be mandatory for an MSO to get audit done by a broadcaster.

The following points may be inserted in the Interconnection Agreement.

(i) MSO to discuss the agreement with LCOs before finlalising.

(ii) There should be no mutual negotiations as the market force has not yet evolved. The only force acting on both MSO and LCO is the Pay Broadcaster. For the next five years, TRAI should frame every part of the deal in the Agreement and fix a relationship between the two entities if digitisation has to achieve its objective.

(iii) Agreement must be from Principal to principal and not from Principal to Agent.

(iv) Period to pay LCO’s revenue share should be fixed. There should be no delay or excuses of non-payment. Share can be calculated based on the revenue collected and deposited by the LCO, rather than wait till all the subscriptions are collected.

(v) Revenue share of carriage fee, placement fee ad revenue of MSO channels and carriage and placement fee of MSO platform serious to be fixed through Interconnect Agreement.

(vi) LCO’s Revenue share of platform services and broadband services like Video-on-demand, Games, Internet etc. to be fixed in the Interconnect Agreement as MSO is using his last mile network to make consumers access his services. Also it it is the LCO who will collect payments for these services from his consumers.

(vii) Permission to LCO to run local video channels must be part of the Agreement.

(viii) Technical upgrade terms and conditions must be fixed. Part of LCO network upgrade must be borne by the MSO so that his services reach the consumers in good quality.

(ix) Language of agreement must be in English as well as Hindi or local language. LCO should be at liberty to get the draft agreement examined by his legal advisor.

(x) All Interconnect Agreements must be submitted with TRAI for record purposes and placed on its website.

(xi) Increase in whole rate rates to be fixed based on inflation index, directed by TRAI for the whole country rather than left to MSO’s whims completely.

(xii) Packaging of channels and compositions of basic package must be done in consultation with LCOs and consensus from majority of LCOs taken for any changes to be made.

(xiii) Interconnection Regulation must define the signal quality and quality of service to be provided by MSO at LCO end and that of subscriber end to be provided by the LCO.

Yours Faithfully,

(Roop Sharma)
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