COMMENTS / SUGGESTIONS AND RECOMMENDATIONS ON TRAI CONSULTATION PAPER No. 18/2012 DATED 20th Dec, 2012

By Delhi Distribution Co. (RAVI GUPTA - PROP.) ON 18TH Jan, 2013
(AN INDEPENDENT MSO IN DELHI)

Issues for Consultation

A. Issues related to amendments to the Interconnection Regulations applicable for Digital Addressable Cable TV Systems.

Carriage fee

(1) Whether the following proviso should be introduced in the clause 3(2) of the interconnection regulations for DAS and the clause 3(5) of interconnection Regulation for DAS should be deleted. "provided that the provisions of this sub-regulation shall not apply in the case of a multi-system operator, who seeks signals of a particular TV channel from a broadcaster, while at the same time demanding carriage fee for carrying that channel on its distribution platform.".

(2) If no, the reasons thereof.

Our Reply

Carriage fees should be decided by the MSO and the Broadcaster because when MSO take content from Broadcasters, MSO pay subscription to Broadcasters on Broadcasters rate. If Broadcasters wants MSO to carry their channels on his Platform, then Broadcasters must pay MSO as per MSO RIO.

It should be left to market forces.

We would like to cite an example. When "Colors" channel was launched, it gave carriage and placement fee to MSO/DTH operators and. Soon after it became one of the Top 4 most popular entertainment channels, that too in a very short span of time. Suddenly Colors channel was converted from FTA to Pay channel. It started collecting huge subscription and advertising revenue. Also the valuation of the company increased. Currently it is the driving force of the channel aggregator "India Cast". Now "India Cast" has included several other channels in its bouquet and is now forcing MSOs that its bouquet be subscribed as a whole. It was nothing but a clever marketing strategy which paid them handsome returns and increased their market share and overall performance. If TRAI tries to fix the carriage fee, it may be accused of partiality as it may be appearing to support broadcaster. If any broadcaster is paying carriage money to increase its market share then it should be at sole discretion between the Broadcaster and MSO.

Minimum Channel Carrying Capacity of 500 Channels for MSOs

(3) Whether there is a need to specify certain minimum channel carrying capacity for the MSOs in the interconnection regulations for DAS.

(4) If yes, what should be the different categories (example cities/town/rural area) of areas for which minimum channel carrying capacity should be prescribed and what would the capacity for each category.

Our Reply

It should be left to the market forces because every MSO has their own capacity of investment. They will invest as per their capacity for digitalization. Presently in India, there is a huge competition between DTH and Cable Operators, so let the subscriber decides what he wants. If he needs more channels then subscriber will opt a service provider who is providing more channels and if he is happy with the less number of channels then he will continue with the same. For example in analogue regime many MSOs were running FTA head-ends and competing with MSOs having pay and FTA channels. In that scenario also, consumers had connection from analogue FTA operators and they were happy with their offering.

However "must provide" and "must carry" clause should be linked to both Broadcasters and MSOs RIO.

Placement Fee

(5) Whether there is a need for regulating the placement fee in all the Digital Addressable Systems. If so, how it should be regulated. The stakeholders are requested to submit their comments with justifications.

Our Reply

It should also be left to market forces because if there is any new product launch by any company, then it is only the shop owner's prerogative to decide where it should be positioned / displayed and not the product owner.

B. Issues related to amendments to the Tariff Order applicable for Addressable Systems.

Twin conditions at retail level

(6) The stakeholders are requested offer their comments on the following twin conditions, to prevent perverse a-la-carte pricing of the pay channels being offered as part of the bouquet(s).

“ a. The ceiling on the a-la-carte rates of pay channels forming part of bouquet(s) which shall not exceed three times the ascribed value# of the pay channel in the bouquet;
b. The a-la-carte rates of pay channels forming part of bouquet(s) shall not exceed two times the a-la carte rate of the channel offered by the broadcaster at wholesale rates for addressable systems. #**ascribed value** of a pay channels in a bouquet is calculated in the following manner:
1. Proportionate Bouquet Rate for pay channels [A]= Bouquet Rate x (Sum of a la carte rate of Pay channels)/(Sum of a la carte rate of Pay channels+ Total no of FTA channels x factor*)
2. Ascribed value of a pay channel in a bouquet = [A] x a-la-carte rate of a pay channel/ (sum of a-la-carte rate of all the pay channels) *factor=1 if uniform rate of free-to-air channel is less than or equal to Rupees three. The factor = uniform rate of free-to-air channel/ 3, if the uniform rate of free-to- air channel is greater than Rupees three.” The stakeholders are also welcome to submit any other formulation that can achieve the same objective, along with its justification.

Our Reply

We think that Broadcaster or content aggregator should declare their own MRP of a-la- carte channel and for their bouquet,. In this context TRAI should only decide revenue sharing formula like it did in case of CAS regime, i.e. 45% to Broadcasters, 35% to MSOs and 25% to LCOs. In this case Broadcaster has freedom to decide their MRP as per their content value and both LCOs and MSOs interests are taken care.

Take for example the FMCG sector. Every product has their own MRP, customer has the option to select / choose / purchase the product as per his need/budget and shopkeeper sells as per MRP and thus keeps his share as per predefined margins. Similarly each Broadcaster / content aggregator declare their MRP of a-la- carte channel and their bouquet and subscriber select / choose / purchase the services as per his need/budget and MSO / LCO bill accordingly to the subscriber and keep their share.

Minimum Subscription Period

(7) The stakeholders are requested to offer the comments, if any, on the proposed deletion of the word ‘pay’ in clause 6 and 6(2) of the principal tariff order dated 21.07.2010.

Our Reply

It should be three months & the subscription amount must be taken in advance for the same. In this case monthly billing should not be made compulsory.

Freedom to choose the channel(s) on a-la-carte and/or bouquet(s)

Our Reply

We think that Broadcaster or content aggregator should declare their own MRP of a-la- carte channel and for their bouquet, in this context TRAI should only decide revenue sharing formula like TRAI issued guidelines in CAS regime like 45% to Broadcasters, 35% to MSOs and 25% to LCOs. In this case Broadcaster has freedom to decide their MRP as per their content value and both LCOs and MSOs interests are taken care.

(8) The stakeholders are requested to offer their comments, if any, on the proposed inclusion of the following provision after sub-clause 6(4) in the tariff order dated 21.07.2010, as amended. "It shall be open to the subscriber of the addressable systems to subscribe to any bouquet(s) or any bouquet(s) and any channel(s)(pay or free to air) or only free to air channels or only pay channels or pay channels and free to air
channels".

Offerings of Bouquet(s) of channels which require special Set Top Boxes (STBs) such as High Definition Television (HDTV) or Three Dimensional Television (3D TV) channels etc.

(9) Whether the channels that require special type of STB be offered only on a-la-carte basis or as part of separate bouquets that consists of only those channels that require a particular type of specialised STB.

<u>Our Reply</u>

It should be left to consumer choice if he wishes to watch premium content (3D/HD), Broadcasters should define a-la-carte/or bouquet MRP for their channels and service provider shall define set top box prices based on their costing.