

Summary of Issues for Consultation

MMTV Ltd's response to CP Issues Related to Interconnection Regulation, 2017

Issues related to Target Market

1. 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 issue?

MM TV: After the implementation of TRAI Regulation 2017 - Carriage fee computation using the formula as per Schedule-I is on the entire base of the DPO in their target market. For DTH and national MSOs this would be their subscriber base in the entire country or a combination of different states / regional states. And if carriage fee is computed for regional channels using the subscriber base of the DPO for the entire country or a group of unrelated states the percentage of penetration would be 5% or less and the carriage fee would be very high and prohibitive and unviable for channels like ours which are regional and FTA too with only one source of revenue – advertising revenue. And it would be far higher than whatever was earlier paid by us as carriage / placement fee before the Regulation 2017 came into force. Hence we would recommend that definition of target market of the DPOs for regional channels should either be their subscriber base within the linguistic state of that regional language channel or the entire subscriber base of the DPO within that state and outside the state for the concerned DPO for the relevant regional language channel pack (their total subscriber base for that regional language pack).

2. 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 ?

MM TV: Yes. The cap should be computed based on recurring bandwidth cost to maintain one channel slot on their platform. The carriage fee should be free for popular FTA channels with a customer pull because DPOs are able to collect NCF from their subscribers offering relevant and popular channels to them. And also spread their reach and expand their business in these markets and that these FTA channels enable and help them in doing so. These regional FTA channels also help the DPOs to collect and retain the NCF without having to share it with the concerned FTA broadcasters thus helping them to recover the bandwidth cost pertaining to these

channels. FTA channels also give subscribers access to good content at affordable prices when they pay NCF.

Hence it must also be made compulsory for all DPOs that all regional language FTA channels be included in the basic pack in their respective region / state / language pack that enables them to collect the NCF and retain the same and recover their bandwidth cost with respect to these channels.

3. 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.

MM TV: As explained above the cost of carrying a channel be computed based on the recurring bandwidth cost to carry a channel.

Carriage should be free for FTA channels for reasons enumerated above – no revenue to broadcaster and yet enable DPO to use these channels to collect their NCF and retain it fully and to expand their business, subscriber base and reach. Subscribers get good content at affordable prices when they pay their NCF itself when FTA channels are included in the NCF / base pack. For Pay channels the bandwidth cost and revenue from the pay channels be shared in a manner wherein the DPO recovers part of their bandwidth cost and also get a share of the pay channel revenue. The pay channel meets a part of bandwidth cost of carrying their channel and earn a pay channel revenue of which the DPO gets a share too for selling / pushing their channel. This should be done in an equitable manner and with out being monopolistic.

4. 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 ?

MM TV: Yes. It could be possible that this clause can be misused.

Issues related to Placement and other agreements between broadcasters and Distributors

5. 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.

MM TV: Yes. Placement fee should be regulated. Some of the factors which need to be considered for doing this in a transparent manner are enumerated below.

A slab rate may be fixed for various groups and genre of channels created and carried by DPOs. The slab rate may vary between various groups (language / genre) in each platform- say between GEC, News, Sports etc. Since News channels also serve a social purpose to inform the public and its revenue earning potential are limited the slab rate for this genre could be kept low. This may also vary between various platforms depending on their reach they provide to the channels on their platforms to their relevant target markets (which would be their subscriber base for the various language / genre of channels).

Then fix the slab rates for each language / genre for placement with in each language / genre of the DPO

a) The slab rate may vary between various groups (language / genre) in each platform - say between GEC, News, Sports etc. Since News channels also serve a social purpose to inform the public and its revenue earning potential are limited the slab rate for this genre could be kept low. This may also vary between various platforms depending on the reach they provide to channels to their relevant target markets (which would be their target subscriber base).

b) Platform's reach / subs base in the relevant language target market of the channel - language / state etc. This can be the sum of their reach in each linguistic state plus the reach of that particular language bouquet on their platform in rest of the country outside the said state. This would be in absolute number of house holds.

c) Percentage of penetration of the platform on the total C&S reach in the relevant state, target language market (to link the fee based to the reach the DPO platform provide to the regional channel in the relevant target market for the channel)

d). Channel carrying capacity? Can be used to arrive at the cost of one slot. This may vary from one DPO to another.

e) Genre / Language - News channels should be charged lesser fee as compared to other genres like GEC, Sports etc because News channels play a higher role than entertaining and are not run purely on commercial basis.

f). FTA channels should be in basic pack and should enjoy an additional discount on LCN placement fee since there is only one revenue stream compared to pay channels.

g) Since there is a set off option available for pay channels between pay channel revenue and carriage fee / placement fee, the same percentage of discounts and facility of discount available for pay channels should also be extended for FTA channels too. Otherwise FTA channels will be

over charged for placement as compared to pay channels and the parity and equity will be lost for FTA channels.

h) Market demand / popularity of the channel - if the channels are popular and enjoy consumer demand and the channel remain FTA additional discounts are to be offered to such channels since that would be benefit to the subscribers and drive the DPO platform subscriber base and DPO / subscribers do not have to pay anything to the FTA channel.

i) Fee – should not be only in cash. It could be a combination of cash element, free commercial time (FCT) under barter on the channels etc. FCT under barter need to be considered in lieu of cash as exchange of value. Exchange of mutual value instead of cash alone to the broadcaster and the DPO.

6. 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).

MM TV: Yes. It distorts the level playing ground. There are even small MSOs with limited reach and small in size in comparison who double their demand for placement fee compared to their own agreed value over the previous years, even when we agree to renew the agreement at the existing values or reasonable increases. Their reasoning is that they have rating measurement metres in their network and they get heavy bouquet discount from pay channels etc. During negotiation they tamper with the channel – change LCN, adopt switching off, disturbs the retransmission of the channel on their network as pressure tactic and arm twisting tactic. We seriously doubt this practice of making high demands which we cannot meet and use that as an excuse to tamper with the channel as mentioned above are to help / favour another channel / broadcaster. Such practices need to be severely dealt with.

7. Do you think that the Authority should intervene and regulate the interconnection agreements such as placement, marketing or other agreement in any name? Support your answer with justification?

MM TV: Yes. Authority should intervene in such cases as mentioned above. Some such MSOs as mentioned above though only covering a small geography are not under Authority's regular scrutiny and do not even declare their subscriber base, make false claims and also claim that they can influence ratings etc. We suspect that such entities acts at the behest of others and to

favour them which are clear cut violation of TRAI regulation and also putting the broadcasters and subscribers into great difficulty.

8. 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.

MM TV: As mentioned above some of them can adopt discriminatory practices and put broadcasters and subscribers into great difficulty. Given below are some of the factors that can be used to fix, fix the upper and lower range of placement fee for each genre by each DPO.

A) Packaging in bouquets: -

Regional FTA channels should be compulsorily be included in the base pack by the MSO in the relevant territories / target markets and by DTH platforms in their respective regional packs. Pay channels to be offered over and above the NCF either as per their a-la-carte price, bouquet price or at other packages as created by broadcasters / DPOs.

B) LCN Placement and how placement fee of each channel with in the language / genre can be priced depending on favourable placement / sequence.

a) Create groups (slabs) for each language / genre with in the range of LCNs allocated for placement of channels in that language/ genre. For eg. if there are ten channels in the Malayalam news category a slab can be created for this genre comprising of say 13 LCNs (3 additional for new entrant). A price range for such slabs starting from the first LCNs in that genre to the last LCN in the genre need to be declared transparently. The highest placement fee for that slab would be for the first channel in that group and the lowest placement fee for the last channel in that group. The placement fee for the second channel in that genre will be lower by certain percentage compared to the first channel in that genre, and that of the third channel lower than the second compared and so on till the last one. This can bring in transparency, equity, fair opportunity to all stake holders within the system. This can also help in stopping adhoc demands from DPOs and bringing in more transparency and equity into the system. This would ensure that every broadcasters in the platform pay for the distribution platform capacity and there would be better realization for DPOs due to contribution from larger number of broadcasters. At the same time it can keep per channel costs down for broadcasters.

9. Any other issue related to this consultation paper? Give your suggestion with justification.

MM TV: There are new MSOs cropping up. Most of them provide signal to existing LCOs of prevailing MSOs. These LCOs do not switch off signals from their existing MSOs fully. They take signals from both the MSOs for standby reasons or other reasons and both the concerned MSOs claim these LCOs and their subscriber base as theirs. As a result the new MSO claim placement / carriage fee from broadcasters where as the existing one will not give any concession. This in effect is a duplication of subscriber base and broadcasters end up paying twice for the same subscriber base. FTA channels get affected by such practices. Such activities need to be regulated and curbed.