20th December 2011

Dr. J S Sharma
Chairman
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg
New Delhi -110002

Re: Reduction in the frequency gap for Private FM Radio Broadcasting under Phase III licensing.

Dear Sir,

With reference to the consultation paper dated 8 December 2011 of TRAI, which proposes the reduction of frequency gap from existing 800 KHz to 400 KHz, we would like to bring to your notice our deep concern on this proposed reduction.

We are a private FM Radio Broadcaster operating under the name of Radio City 91.1 FM. We were a part of and had also participated in both the Phase I and the Phase II licensing. At present we are operating 20 radio stations in different cities.

In the year 1999, the Government of India launched the First Phase of private sector involvement in FM radio broadcasting with the objective to open up FM broadcasting. The thrust areas for radio broadcasting were on improvement of program content, providing wider choice of programs and most importantly improving broadcast quality and enhancing technical features.

However, the licensing policy during Phase I was so designed that it was virtually impossible for the broadcasters to make any profit. The biggest drawback being the high annual license fee which was "fixed" i.e. not dependent on the revenue earned by the broadcaster.

FM broadcasting was however accepted as the preferred mode of radio transmission due to its high quality stereophonic sound. Therefore, the emphasis in the Tenth Five Year Plan was on substantially enhancing FM coverage. The major emphasis was in expanding the reach of FM radio to encouraging private participation in providing quality services and replacing the existing system of bidding for licenses with a revenue sharing mechanism, automating all FM transmitters and all MW transmitters and using FM radio to spread literacy because of better transmission and reception.

Thus in mid of July 2005 the Phase II for FM Radio broadcasting scheme was introduced with a view to give FM radio business a boost. The major relief provided in Phase II was the change in the license fee structure from the fixed license fee to revenue sharing model. The existing players were also given an option to migrate to the revenue sharing model. The annual license fee payable to the government was converted from an onerous fixed fee to 4% of gross revenues. Phase II covered as many as 90 cities. By launching Phase II of radio reforms, the Government recognized that radio business had indeed become un-viable and did its bit at reducing the burden of the license fee.

Therefore, the Government all through has been normally pursuing the growth and development of FM radio broadcasting in private sector as a vehicle of societal development which was hitherto pursued only in the State sector. FM radio broadcasters, though organized as business enterprises, thus now owe a social obligation towards nation building.

The Government has now launched the Phase III licensing regime for expanding the reach of the private FM Radio Broadcasters to the farthest corners of the country so that the public interest could be best served in terms of content, programs and higher quality of broadcast and technical features.

We are as a private FM Broadcaster are also interested in migrating to the Phase III regime which will help us serve the best interests of the public in providing quality reception, content and programs to many more citizens who are based in the remotest of villages and cities of this Country.

As you are aware that under the existing regime, the frequency gap maintained between each FM Radio Broadcaster is a minimum of 800 KHz. The TRAI consultation paper intends to reduce the said minimum frequency gap to 400 KHz, which would not only be detrimental to the existing Private FM radio Broadcasters but more importantly the general public.

You will appreciate that across India people use low end analogue receivers to listen to the Private FM Radio Stations. With the reduction of the frequency gap to 400 KHz, there would not only be a deterioration in the quality of the reception of the signal received but would also hamper with the proper enjoyment of the contents and programs provided by the Private FM Radio Broadcasters to the general public.

Therefore the objective with which the Private FM Radio Broadcasting was set up in 1999 would be frustrated. Due to the poor quality of the reception the general public would not be able to enjoy the wider choice of programs made available for them through the Phase III expansion.

Apart from the public interest being hampered by the said reduction, there would also be a substantial modification and investment required in the existing infrastructure for reduction of frequency spacing to 400 KHz. The Private FM Radio Broadcasters would have to invest to the tune of approx. Rs. 10 Crore for each city to make the said reduction in frequency technically possible.

Such an investment would simply make the transition to Phase III licensing unviable for a lot of the existing as also the new FM Broadcasters. This will lead to a situation that a lot of broadcasters would not bid in the Phase III regime and the government in turn would lose out on revenue through additional license fees. The Public at Large would also suffer as they would not have access to quality frequencies.

All existing broadcasters have license periods for 10 years. Under the Phase III policy, the new broadcasters will be granted license of 15 years. The survival of the existing radio industry is critical and with this differentiation in the license term the value of the existing broadcasters will have a huge adverse impact. The present radio broadcasters have immensely contributed towards the development of society and such discrimination will be detrimental towards the interest of the existing broadcasters.

Further the release of additional frequencies will lead to entry of multiple channels in cities wherein the current players are struggling to breakeven in a still nascent market place. The revenue potential of the individual cities is still not large enough to sustain more frequencies. An adverse impact on the market share, in turn will seriously affect the revenues of the broadcasters. The cost of running a station is very high and with the decreasing revenues, the radio industry will become un-viable.

The existing broadcasters had bid in 2005-06 for the current licenses based on an analysis of the available frequencies, the potential size of each market and their growth. As you are aware, the slowdown resulted in the growth of the industry being slower than anticipated. With an increase in frequencies, the size of the addressable market is only going to shrink further resulting in un-viability of the original OTEFs as well the business plans of the broadcasters.

This will thus constrain the broadcasters from participating for the additional channels. As you are aware even in the past under Phase II, out of 338 frequencies available, 97 are still lying vacant.

This would lead to a vicious circle and everybody from the common man to the government would suffer in some way or the other.

Therefore we strongly urge that the current level of 800 KHz of spacing should be maintained to have interference free / noise free reception in all types of receivers and so that the transition to Phase III Licensing regime is neither delayed nor does it become unviable for the Private FM Broadcasters.

We would also like to state that you have always balanced the interest between the Licensing regime and the needs of the Private FM Broadcasters since the very beginning as can be seen from the Policy decisions taken by you from time to time as mentioned above. The biggest such step was to shift to a revenue share model from a fixed fee model. Today we are standing in a similar position since not only the interest of the Private FM Broadcasters is being affected but also the public at large.

In the interests of all constituents and the success of Phase III, we therefore request you to maintain the present gap of 800 KHz.

Yours sincerely,

For Music Broadcast Private Limited

Singh

Authorised Signatory

Music Broadcast Private Limited

Copy to: The Secretary, Govt. of India, Ministry of I & B, Shastri Bhavan, New Delhi