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RBNL/TRAI/LT/13-14/3081
12th August, 2013

Mr. Wasi Ahmad,
Advisor (B&CS),
Telecom Regulatory Authority of India ("TRAI"),
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg,
New Delhi-110002

Subject: **Consultation on Foreign Direct Investment in Broadcasting Sector in India.**

Dear Sir,

1. This has reference to the Consultation paper on Foreign Direct Investment in Broadcasting Sector in India, which has been rolled out by TRAI seeking views of the stakeholders.

2. We, as a Radio Broadcaster, welcome the move to increase the foreign investment cap from the existing cap of 26% in the FM Radio Broadcasting Sector as envisaged in the Consultation paper. We support the recommendation of TRAI and would like to submit that increase in the Foreign Investment limit would be in the interest of the FM Radio industry, which is one of the emerging and expanding modes of media.

3. Radio is not only the cheapest but also the most convenient form of entertainment owing to its high mobility factor. The ability to reach a relevant consumer base makes radio a highly preferred medium. Radio is and will be a far more effective medium in a high diversity market like India owing to its huge/vast physical and cultural diversities. Further Radio serves public good and reaches out to the richest and poorest strata of the country. It is "Free-to-Air" and hence is the cheapest entertainment available to one and all.

4. We submit that Radio industry should not be equated to news and information channels and Print media for the reasons that Radio is primarily a mode of entertainment. The primary focus of Radio channels is on music rather than news and information. In the Phase II regime, FM Radio Broadcasters are not allowed to carry news and current affairs. It is only in the Phase III FM Radio guidelines that the Ministry has made provisions to allow the FM Radio Broadcasters to carry news and current affairs. However, the element of news is very restricted and limited since the government has allowed the sourcing of the same only from AIR unlike that for TV Broadcasters who can source the news privately.

Further there is a monitoring agency viz. BECIL who monitors the content aired on the Radio Stations. There are already enough restrictions on radio sector and ample regulations are in place to enable the Government to have clear scrutiny with regard to investments in the Radio Broadcasting Company and there is no need for any further restrictions like capping the foreign investments limits to just 26%. In no way can the content on Radio be considered sensitive so as to affect the maintenance of public law and order, security of State and maintenance of communal harmony which is normally the concern envisages in respect of Television Channels.

5. Further, after the roll out of Phase III FM Radio licenses, the number of FM Radio stations is expected to increase from existing 246 to 1085 with coverage and reach to be increased from 86 cities to 313 cities. Radio Operators would then have to invest heavily on the CAPEX for setting up of the radio stations, erecting the CTI Towers etc apart from payment of huge onetime entry fees to the government. Radio Industry is an evolving sector and clarity on many issues and the reach to majority of masses have been provided by Phase III FM policy guidelines. Hence earlier due to issues like reach, lack of clarity and the earlier cap of 26% on foreign investment, the radio sector never gained the interest and attention of foreign investors and therefore none of the broadcasting companies could even utilize the existing foreign investment limit of 26%. Increase in the Foreign Investment limits would attract foreign investors in the Radio Sector thus helping the Radio Operators who are already bleeding to participate in Phase III bidding and run its stations more effectively and efficiently.

6. We would in fact like to submit that there are already enough restrictions on radio sector and ample regulations are in place to enable the Government to have clear scrutiny with regard to investments in content services of Radio and hence we would request to increase the cap of the foreign investment limits in FM Radio Broadcasting to 100% (i.e. Upto 49% - Automatic Route and above 49% - FIPB route).

7. The increase in the foreign investment limits as stated aforesaid in the Radio Industry is necessitated for the following reasons:

a) Radio Industry is an evolving sector and clarity on many issues and the reach to majority of masses have been provided by Phase III FM policy guidelines. Hence earlier due to issues like lack of reach and clarity and the cap of 26% on foreign investment, the radio sector never gained the interest and attention of foreign investors and therefore none of the broadcasting companies could even utilize the existing foreign investment limit of 26%. Thus, increase in the

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Foreign Investment cap along with the migration to Phase III would be lucrative to foreign investors.

b) The FM Radio sector is running in red due to high cost of content acquisition, and production. Increase in FDI will provide greater control to the global players in companies in India, which will result in access to better content by reducing costs in production, research and development, and distribution.

c) Technological advancement at a faster pace, and high capital investment would result in better growth for the Country.

d) The Radio Broadcasters are facing high attrition rate and difficulty in retaining talent. There is a chance that the companies would be able to better retain talent, and there would be an increase in domestic employment.

e) The existing foreign investment limits in companies engaged in the activity of providing broadcasting services are not uniform The increase in the FDI limits would help to make the foreign investment policy for the FM broadcasting sector consistent with that of the telecom sector and would also promote a level playing field between competing technologies, in view of the convergence of technologies across the telecommunication and broadcasting sectors.

f) As on date there is a need for infrastructure in Radio Industry. With the announcement of migration to Phase III, the expansion demands more and effective infrastructure to ensure effective signal coverage and undisturbed and good quality radio services to the listeners. The increase in the FDI limits would help Regional and Sectoral advancement by increased and better infrastructure, and positive influence on balance of payments.

g) Enhanced access to foreign investment would expand the reach of the broadcasting services, thereby improving accessibility of these services, and bring in international best practices Technological advancement at a faster pace, and high capital investment would result in better growth for the Country.

h) The Radio Broadcasters have to shell out huge costs towards payment of Music Royalty for acquisition of good content. Many Broadcasters are unable to procure good content in view of the high costs. In the event there are foreign investors in such Radio Broadcasting company, they would be able to procure best of the contents which would then be enjoyed by the public-at large for free thereby giving boost to the Music industry.

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i) We strongly believe that in order to ensure that the purpose for which Phase III FM Licensing has been rolled out by your Ministry is served to the best possible extent, it would be critical that the FDI limit be increased to 100%. This would also be essential for the survival of the Radio Industry and make Phase III FM regime a grand success.

j) The FIPB route for FDI beyond 49% will enable the Government to determine in each particular case whether proposed foreign ownership of a Radio is in the public interest, instead of strictly applying the 49% percent limit. This approach will provide Radio licensees and their potential owners with greater flexibility in how they choose to structure foreign investment in a licensee, which is an important source of equity financing for the radio industry.

Request:

8. **We, thus, request you to consider the aforesaid, and revise the proposal note to increase the FDI limit to 100% for FM Radio (i.e. Upto 49% - Automatic Route and above 49% - FIPB route).**

Thanking you,

Yours Sincerely,

For **Reliance Broadcast Network Limited**

(Authorised Signatory)

Copy to: Dr. Rahul Khullar, Chairman, TRAI
Sh. R. K. Arnold, Member, TRAI
Smt. Vijayalakshmy K Gupta, Member, TRAI
Sh. Rajeev Agrawal, Secretary, TRAI
Smt. Anuradha Mitra, Pr Advisor (F&EA)
Sh. N. Parameswaran, Pr Advisor (B&CS)