

By E-mail/ By Fax

To,

Date-27/08/2013

The Honourable Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan
Jawaharlal Nehru Marg (Old Minto Road)
New Delhi – 110 002

Ref: Your consultation paper no 8/2013

Kind Attention: Mr Wasi Ahmed (Advisor-B&CS)

Dear Sir,

We are in complete agreement with your thought that the Content Aggregators need to be broken and MSOs should be dealing directly with the broadcasters. This disaggregation will bring more transparency in the pricing.

In addition to the points brought about in the consultation paper, we would like to bring forward two points which also need to be addressed immediately to have a real impact of your desired action to break aggregators and create a level playing field for MSOs. If the below points are not taken care of, large broadcasters will continue to aggregate their own content and still cause price distortion / discrimination.

Fair Pricing of A-la-Cart Channels vis-à-vis Bundled Price of Channels offered by Aggregators

For a new MSO, aggregators of the broadcasting channels are unwilling to offer content. Even when they offer content, they demand as much as 50% of the existing revenue from that particular geography. For a new player with Zero customers to begin with, this kind of minimum guarantee demanded by Aggregators is completely unviable and unfair for the new MSOs.

In this situation, MSO is left with only one option which is to do RIO (Reference Interconnect Offer) agreement on a-la-carte basis. However, if the a-la-carte pricing is closely analyzed, you will see that it is not in line with the bundled price offered by aggregators for their full bouquet to existing MSOs.

For example, it is common knowledge that one of the largest Aggregators is offering a CPS of Rs. 35/- to Rs. 45/- to existing MSO for their full bouquet of channels. However, the sum of their a-la-carte rates for all their channels works out to be Rs. 324/-. This is not encouraging for a new player to enter the market. Sum of their a-la-carte rates should be no more than Rs. 35/- to Rs. 45/-. Only then will a real choice be provided to the MSO and onwards to customer to pay for only what they want to watch.

To be able to compete in the market a new MSO has to offer almost all channels to the customers. Sum of a-la-carte rates for three aggregators (MediaPro, IndiCast and MSM Discovery) works out to be more than Rs. 650/-. Average subscription from customer ranges from Rs. 150/- to Rs. 250/- in the market. Out of this, 30%-35% share needs to go to LCO for their services. By making this unreasonable a-la-carte pricing, the Aggregators are making it prohibitive for new MSOs to enter and sustain this business.

It also needs to be brought to your kind attention that the Aggregators have formed bouquets in addition to a-la-carte. However, the bouquets are formed in such a way that most of the non-driver channels are clubbed with very few driver channels. Hence, an MSO need to have more than two to three bouquets to be able to show the main driver channels which again is unviable from pricing point.

Hence, our recommendation is to dismantle the bouquets and offer all channels on a-la-carte basis and the sum of the a-la-carte prices should not be more than the CPS offered by aggregators for the full list of channels (which is Rs. 35/- to Rs. 45/- for the largest aggregator as mentioned above in this letter).

Delinking of MSO business from Broadcasting/Aggregation Business

Content Creator/Broadcaster should have the sole right to distribute the content. If an MSO is involved in content distribution, it creates a conflict of interest, hence stifling completion, encouraging monopoly and ultimately limiting the choice for subscribers and compromising the quality of service and limiting innovation in the service delivery to the subscribers.

Media (electronic, print, audio and video) is the epicenter for mass communication with the citizens of a nation. This mass communication cannot be held hostage by cartelization of broadcaster and the MSO. The MSO business should be delinked from participating in the cartel of content distribution and aggregation.

Let us analyze the case study of two particular MSOs who also have a significant stake in one of the largest content aggregator who distributes the largest number of channels through its bouquet. These particular MSOs through their market dominant position not only creates a barrier to entry by fixing discriminatory pricing of the content for the new and existing smaller players, but also influence the aggregators to deny content to new players. It is evident form the number of appeals that have been filed in TDSAT in this context.

The mandated addressability of the Cable TV service has itself created barriers to existence for smaller LCOs as it requires significant investment. The new entrants who have committed the investment in the addressability initiative of MIB and TRAI are now at the mercy of these aggregators who under the influence of their partner MSOs are quoting unfair price and delaying the RIO agreement.

As a new entrant into MSO business we request the honorable TRAI to enact regulation that will break this cartel, delink MSO business from the content aggregation/distribution and also enforce transparent and fair pricing of content for all MSO's alike.

Thanking you,

For **Technobile Systems Private Ltd.**



PARITOSH SHUKLA

Vice President –Business Development