

RESPONSE TO CONSULTATION PAPER NO.18 / 2012
BY BHARAT BUSINESS CHANNEL LIMITED (Videocon d2h)

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.

Response:

- Yes, the proposed proviso should be introduced to maintain level playing field.
- In Present Model followed by Broadcasters and the MSO, the carriage fee being paid by the broadcasters to the MSO is offset from the subscription charges, resulting in net payout of the MSO is significantly lesser than the DTH operators.
- The net effective realisation to the Broadcaster from Digital Cable is much lesser than what is there on the contract as the same is offset by carriage fee given to the MSO resulting in discrimination. This is resulting in non maintenance of level playing field and discrimination.
- The regularisation and clarity need to be brought in carriage fees payment. The clarity can be brought in by regulating payment of carriage fees per active subscriber of Digital Cable /DTH operator. We propose carriage fees @ Rs.0.50 per active subscriber of the Digital Cable /DTH operator can be paid, depending on active subscriber base of Digital cable/DTH operator.

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.

Response:

Specifying a minimum number of channels for MSOs on a national or on regional basis would mean that the DTH necessarily have to carry more or equal number of channels, in order to maintain level playing field, considering that all DTH service providers have a pan India presence, Unlike MSOs, DTH has to cater to all their customers from different regions. Given the capacity constraints faced by DTH, due to availability of satellite, the Association is of the view that this number needs to be reduced considering the capacity constraints faced by the DTH.

It shall be left with the discretion of particular MSO as per market available to it.

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.

Response:

- The placement fees should also be regulated, such that
- There should not be any discrimination for payment of placement fees to MSO, DTH and any other addressable platform for same channel, so that will not disturb level playing field between two operators ready to place the broadcasters channel with same priority.

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.”

Response:

Analysis of above twin condition can be done through below trial Calculation for finding a la carte value of Star Plus channel having Broadcasters wholesale a la carte rate as per RIO Rs. 7.87

Super Gold Pack	New Gold Sports Pack
Bouquet Rate = INR 178 (w/o tax). No. of PAY channels = 83. No. of FTA channels = 104.	Bouquet Rate = INR 236 (w/o tax). No. of PAY channels = 92. No. of FTA channels = 104.
Uniform rate of FTA channels = INR 5. Hence, Factor = $5/3 = 1.67$.	Uniform rate of FTA channels = INR 5. Hence, Factor = $5/3 = 1.67$.
Sum of a-la-carte rate of all pay channels in Super Gold pack = INR 367.	Sum of a-la-carte rate of all pay channels in Gold Sports pack = INR 487.
So, Proportionate Bouquet Amount = $(178 \times 367) / (367 + 104 \times 1.67) = 121$.	So, Proportionate Bouquet Amount = $(236 \times 487) / (487 + 104 \times 1.67) = 174$.
So, Ascribed Value (e.g. for Star Plus) = $(7.87 \times 121) / 367 = 2.59$.	So, Ascribed Value (e.g. for Star Plus) = $(7.87 \times 174) / 487 = 2.81$.
As per Condition (a) , max. a-la-carte rate for Star Plus = $3 \times 2.59 = \text{INR } 7.77$.	As per Condition 1 , max. a-la-carte rate for Star Plus = $3 \times 2.81 = \text{INR } 8.44$.
As per Condition (b) , max. a-la-carte rate for Star Plus = $2 \times 7.87 = \text{INR } 15.74$.	As per Condition 2 , max. a-la-carte rate for Star Plus = $2 \times 7.87 = \text{INR } 15.74$.
Hence, the lowest value as per the Regulation, (maximum a-la-carte rate) for Star Plus = INR 7.77	Hence, the lowest value as per the Regulation, (maximum a-la-carte rate) for Star Plus = INR 8.44

- As we see in the above calculation, a-la-carte rate for any channel varies from pack to pack. To finalize on a-la-carte rate for a channel, minimum value coming out of considering calculation for all packs needs to be taken in order to satisfy proposed formula.
- If we choose minimum value of all then final Retail a la carte value of “Star Plus” channel cannot be more than 7.77 (presuming of presence of the channel in only above two bouquet, however in reality all DTH operator will have more than one bouquet, containing such channel), admittedly the same is lesser than a la carte price of Rs. 7.87, offered by broadcaster.
- A channel in a bouquet will be present in one or more bouquet and hence as per condition (a) value of channel will have to vary in every bouquet; however there cannot be two a la carte value to a single channel depending on presence of channel in different bouquets.
- DTH operator will have to provide different bouquets to its consumers, all of which may contain one or more channel, then as per proposed condition (a) a la carte value of such channel will be different, all the time and minimum of all will be lesser than the RIO price of such channel.
- In view of above, the presence of condition (a) is not serving any purpose BUT is conceiving the same problem which we are trying to resolve.
- In relation to condition (b) considering the additional expenditure and burden incurred on DTH operators in serving channel on a la carte basis, the condition (b) be modified to the extent of “3 times” instead of “2 times” a la carte rates offered by broadcaster to service provider.
- Therefore we propose the formula can be simplified by deleting condition (a) being impractical and making condition (b), (with above suggested modification) alone applicable to determine a la carte price of channel.

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.

Response:

We recommend that the word “Pay” be deleted from clause 6.2 of the tariff Order of 21.7.2010. We would also place on record that though DTH had opposed this inclusion in the first instance, the Authority had mandated its inclusion, giving it time to upgrade their systems to take care of the issue. As this has been mandated, the use of the word “Pay” has become redundant and hence the provisions of the clause are applicable to all channels, subject to the other requirements mandated in the clause remaining the same.

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

- (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 one or more pay channel or only free to air channels or only pay channels or pay channels and free to air channels.”

Response:

Service Providers form bouquets based on the requirements of their subscriber base. Bouquets are also created to cater to the regional demands, giving the subscriber an opportunity to opt for a bouquet carrying channels of the region he chooses to view. Bouquets created may consist of both Pay and Free channels, only pay or only free channels. This is left to the Service Provider. This is besides the channels being available on a-la-carte basis.

We recommend that this clarity be incorporated suitably in the proposed addition to the clause.

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.

Response:

- Firstly wholesale pricing of HD channels should be regulated. The wholesale RIO pricing of HD channel should not exceed 2 times of wholesale price of same SD channel.
- Channels that require special STBs like HDTV or 3D TV, should be offered by the Service Provider based on his business model that is adopted, be it a-la-carte which he has to offer or in the form of bouquet of only HD/SD/3D or combination of any. This determination should be left to the Service Provider and kept in forbearance and the authority should not regulate on this matter.