

Consultation Paper No. 5/2010

Response to
Consultation Paper
on
Tariff Issues related to Cable TV Services in Non-CAS Areas
Mumbai: 28 April 2010

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We are thankful to the Telecom Regulatory Authority of India (“TRAI”) for affording us this opportunity to express our views and suggestion in response to the Consultation Paper on Tariff Issues related to Cable TV Services in Non-CAS areas dated 25 March 2010 (“Consultation Paper”).

The Consultation Paper covers the issues related to wholesale tariff, retail tariff, a-la-carte provisioning of channels from broadcasters to multi system operators (“MSO”), carriage and placement fee, tariff for commercial subscribers and long-term solution through digitization with addressability. The Consultation Paper discusses all the above issues and has sought the opinion of the stake holders primarily around the regulation of tariff and the possible mechanisms to attain the objective of addressability through digitization in the last mile which is not only the root cause of numerous existing issues but also a major hindrance in the implementation of various suggestive models / solutions.

We believe that fixing of tariff in a competitive industry with a multitude of distribution platforms and service providers can be counter productive. The cable and satellite TV industry operates in a highly competitive marketplace where there is furious competition among pay-TV delivery systems like analogue cable, digital cable, DTH, HITS, IPTV and Mobile TV etc. for eyeballs and consumer rupees. With thousands of MSOs and cable suppliers, six private operating DTH systems, IPTV offerings, HITs offerings, Mobile Television, etc. India is one of the most diverse and competitive pay-TV markets in the world.

For such product and market, strict regulation of rates is counterproductive, in terms of the dynamism, diversity and economic contribution of the industry. The price freeze on tariffs has had the effect of reducing the ability of all players in the value chain to fund development of both new types of content and new infrastructure. Continuation of the freeze will constrain investment in content, and force the industry to continue to focus only on mass-market, advertising-supported products, severely limiting the number and type of content channels available to consumers. In the long run, consumer choice is a victim of the freeze.

Moreover, continuation of the price freeze is inimical to India’s need for substantial investment to meet digital development goals. Only private investment in high-speed digital capacity for

cable systems can produce a major upgrading of India's economic base and digital connectivity. It has happened in other countries, and could be brought to pass in India, if the industry has the prospect of earning a reasonable return on those investments. The price freeze in non-CAS areas, coupled with the unrealistic price caps, if they are maintained, will prevent that from happening. Without investment, the industry will not be able to keep pace with technological developments, to the detriment of consumers.

The TRAI in *Consultation Paper on Issues relating to Broadcasting and Distribution of TV Channels*, 2004, has noted that although a primary objective of regulation is to protect consumer interests, at the same time it is apprehended that over-regulation in a sector that is growing rapidly might have unforeseen consequences. The TRAI and the government have over the last few years accepted that once greater competitiveness is achieved in the pay-TV industry, the regulation of cable prices will be dismantled as it was to be a temporary measure. We strongly believe that the time has come when there is effective competition and further regulation of tariff is not warranted.

In the absence of any benchmarking procedure in place, the government and TRAI have failed to appreciate that the distribution chain has achieved sufficient market depth and that effective competition both at the wholesale and retail level exists and as such the concept of the price freeze as a temporary measure has become redundant. We continue with our suggestion of doing away with the price freeze and instead introduce forbearance.

The need of the hour is also to provide a sustainable solution to the fragmentation that has taken place in the last mile specifically in the Non – CAS market. There is no mechanism to ascertain a reliable data giving the details of the subscriber base. This has led to distortion of market in the various segments and considerable amount of load has been placed on the more transparent stakeholders at the wholesale level while those at the last mile still enjoy monopoly but less visibility leading to unaccounted revenues and revenue leakages. In order to have a clear understanding of this part of the industry i.e. Non-CAS areas, and for ensuring a fair share of the pie for all of the stakeholders in the value chain it is very important to have a transparent subscriber base data as in the telecom industry. One of the ways to achieve this clarity is through

the digitization coupled with addressability. We do support this view and favour a phased wise implementation of the goal of “a set top box in every house” to achieve full digitization coupled with addressability. The market forces on account of stiff competition will take care of the pricing; the consumer will have enough choice of content and service and boost the growth of industry in terms of new and efficient infrastructure that can effectively contribute to the country’s economy.

With respect to the queries raised in Chapter 7 of the Consultation Paper, our response is as under -

1. Are the figures in Annexure B3 representative for the different genres of broadcasters? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the genre, and not of your company.

In the absence of reliable information available in the public domain we will not be able to comment on the correctness of representative figures mentioned in Annexure B3. On the basis of our information and data we state that the figures mentioned in Items 2A, 9 and 10 of Annexure B3 do not represent the correct representative figures in these genres. We have noted the clarifications provided by TRAI in the meeting held on 23 April 2010 as regards the use of “*certain filtration criteria to remove the impact of aberrations*” in arriving at the representative figures. However the clarification does not assist us in analyzing the data in Annexure B3.

2. Are the figures in Annexure B5 representative for aggregators? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

In the absence of reliable information available in the public domain we will not be able to comment on the correctness of representative figures mentioned in Annexure B5. We have noted the clarifications provided by TRAI in the meeting held on 23 April 2010 as regards the use of “*certain filtration criteria to remove the impact of aberrations*” in arriving at the representative figures. However the clarification does not assist us in analyzing the data in Annexure B5.

3. Are the figures in Annexure B7 representative for the national MSOs? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

We do not have access to the MSO data, hence unable to comment on this.

4. Are the figures in Annexure B7 representative for the regional MSOs? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

We do not have access to the MSO data, hence unable to comment on this.

5. Are the figures in Annexure B9 representative for the LCOs with > 500 subscribers? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

We do not have access to the LCO data, hence unable to comment on this.

6. Are the figures in Annexure B9 representative for the LCOs with \leq 500 subscribers? If not, what according to you are the correct representative figures? When providing representative figures, please provide figures for the category, and not of your company.

We do not have access to the LCO data, hence unable to comment on this.

7. What according to you is the average analog monthly cable bill in your state or at an all India level?

In the explanatory memorandum to the Telecommunication (Broadcasting and Cable Services (Second) Tariff (Eight Amendment) Order 2007, it has been stated that as per market study commissioned by TRAI the average monthly cable charges in India (or ARPU, i.e., average revenue per user) is Rs. 200 per month, including taxes. From our experience, we find that the

figure from the abovementioned study is close to our estimate of the representative ARPU. Therefore an ARPU of Rs.240/- (i.e. 22% increase from the ARPU in 2007) would be appropriate ARPU for analog presently.

8. Is the market for cable services in non-CAS characterized by the following issues:

(i) Under-reporting of the analog cable subscriber base

(ii) Lack of transparency in business and transaction models

(iii) Differential pricing at the retail level

(iv) Incidence of carriage and placement fee

(v) Incidence of state and region based monopolies

(vi) Frequent disputes and lack of collaboration among stakeholders

We agree that the present Non-CAS market is characterized by the above mentioned issues. In addition we would like to bring to attention the following issues which are of considerable importance as they have a deep rooted impact across the segments.

a. Lack of enforcement of regulations against the Multi System Operators (“MSO”) and the Local Cable Operators (“LCO”).

The present regulations mandated by the TRAI for the MSO and LCO do impose certain obligation on them in the interest of consumers and the industry as a whole. For example – the amended Tariff Order dated 4th October 2007, mandates that the LCO shall maintain complete records relating to the names, addresses and charges pertaining to all its subscribers and that MSO and LCO must issue proper bills and receipts to each of their subscribers. However, the ground reality remains that we do not have any reliable data in respect of the subscriber base.

This has emerged from the lack of enforcement by the regulator and also on account of non-action against the errant MSOs and LCOs. This lack of enforceability of the regulations by the regulator in this segment has led to distortion in the value chain. We suggest that TRAI should wield uniform authority across the various segments of the industry and enforce compliance of obligations by each stakeholder in the distribution chain and should not be selective in their enforcement drive only against the broadcasters and aggregators.

b. Absence of minimum eligibility criteria for MSOs and LCOs to commence operations

We would like to bring to attention that the government has placed a long list of eligibility criteria for the broadcasters i.e. a minimum net worth for obtaining downlinking and uplinking licenses, clearance from the Ministry of Home Affairs in respect of the Directors and top executives etc., annual renewal of licenses, compliance with onerous regulatory compliances and so and so forth. However, there is no such stringent requirements for the MSO and LCO and thus not preventing the entry of dubious operators who are responsible for all sorts of distortion in the market. It is suggested that sound criteria be established for the MSO and LCO as well like –

- a minimum net worth required for them to establish and maintain a digital addressable network in the territory where such license is requested for;
- make licenses renewable at periodic intervals on payment of fees and subject to compliance with TRAI regulations;
- the applicants who have defaulted in payment of subscription fees and has not cleared on the date of application shall not be granted a fresh license or renewal of license.
- None of the directors or top executives of the applicant should have been convicted for an offense which attracts imprisonment of 2 years or more.
- for fresh licenses, the territory for which the applicant has applied for should be granted only after the applicant demonstrates the technical capability to provide cable services throughout such territory under a digital and addressable system.
- Compulsory corporatization be introduced at the MSO Level.

c) Lack of accountability on part of the MSOs or LCOs.

In order to address the issue of declaration of proper subscribers base at the last mile, we suggest that the entire billing and invoicing be mandated at the MSO level instead of the LCO level. It should be the obligation of the MSO to issue proper bills and invoices to all subscribers. The LCO should act only in the capacity of a last mile operator and a collection agent. The MSO should also be empowered to terminate the agreement with an LCO if it is found that the LCO has not provided proper information regarding billing to the MSO. As it has been observed that the major under declaration happens at the level of LCOs and if the MSO is given control and made accountable for the same, under declaration in the analogue market can be reduced to a great extent. This process will also drive consolidation at the MSO level making it easier to TRAI to oversee this leg of the distribution chain.

9. Are these issues adversely impacting efficiency in the market and leading to market failure?

Yes, there isn't an iota of doubt that these issues are adversely impacting efficiency and growth and are leading to market failure. There is a complete lack of transparency in the entire distribution chain from the subscriber to the broadcaster. The above mentioned issues are perpetuating severe leakage of revenue to the broadcasters through under declaration and bad debts and in this way have affected the financial health of the more transparent broadcaster /aggregator segment. The absence of a proper monitoring mechanism of the declaration of the subscriber base at the last mile has boosted a parallel economy of undisclosed incomes and has lead to the evasion of proper taxes to the tune of around Rs.1300 crores each year causing the economy to bleed. The MSOs/LCOs extend their territory without proper authority and paperwork which further boosts the under declaration and unrest in the market. This kind of unauthorized extension of territory is an act of piracy and theft we suggest that "the must provide" protection under the present regulations should not be afforded to MSOs /LCOs who indulge in such piracy.

10. Which of the following methodology should be followed to regulate the wholesale tariff in the non-CAS areas and why?

i) Revenue share

ii) Retail minus

iii) Cost Plus

In the Consultation Paper, some observations have been made in favour of Cost Plus Model; however, we would like to bring to notice that in the absence of proper visibility of the subscriber base; this model too is unviable like the revenue share and retail minus models. Also each broadcaster/aggregator has its own unique business model and hence cost and revenue structure varies from one business to another. The operating costs vary widely depending on genre, nature of content, market positioning, strategy adopted by each channel and many other factors. Further these costs may vary year to year depending on the channel's strategy for a particular year. In view of this it is not possible to fix a standard tariff applicable to all the broadcasters/aggregators. However, in the interim till complete digitization with addressability is attained, and if TRAI comes to a conclusion that some form of tariff regulation is required at the whole sale level then as a temporary measure we suggest the Cost Plus model with inbuilt flexibility to individual broadcasters to fix the tariff basis their cost structure.

iv) Any other method/approach you would like to suggest

We strongly advocate the forbearance model and the same have been discussed in detail in response to query no. 13.

11. If the revenue share model is used to regulate the wholesale tariff, what should be the prescribed share of each stakeholder? Please provide supporting data.

We concur with the noting made in the Consultation Paper that this model is unviable for the lack of proper visibility of the subscriber base, and therefore do not suggest this model.

12. If the cost plus model is used to regulate the wholesale tariff, should it be genre wise or channel wise?

As noted earlier that in the absence of proper visibility of the subscriber base and for other reasons explained in response to question no. 10; the Cost Plus Model on a standardized pan Industry cost structure is unviable. Further we are of the view that historic cost cannot be an adjudged base to determine the future tariff. We therefore do not suggest this model.

13. Can forbearance be an option to regulate wholesale tariff? If yes, how to ensure that (i) broadcasters do not increase the price of popular channels arbitrarily and (ii) the consumers do not have to pay a higher price.

We have consistently advocated forbearance as an effective option in the wholesale market. The concern that there may be an arbitrary increase in price of popular channels by the broadcasters does not seem to be realistic and on a further examination may be assessed as imaginary. We need to understand that in addition to the subscription revenue the broadcasters necessarily have to look upon the advertisement revenue which depends on the reach and ratings of a channel.. Any arbitrary increase in price of the channel would adversely affect the reach and consequently the subscription and advertisement revenue. In the present day competitive environment, where there exists not only the multitude of platforms but also competing content a broadcaster cannot afford to increase the price of its channel arbitrarily. The fierce competition between broadcasters to reach the consumers itself would regulate the price of their channels as no broadcaster would hike prices and end up losing the reach to subscribers. The dynamics of a highly competitive market will ensure that the broadcasters do not charge arbitrary rates.

The whole sale tariff is presently subject to the bargaining power of the MSO/LCO and is based on the negotiated number of subscribers. So to provide a level playing field, in the absence of proper addressability, it is important that the whole sale tariff be left to forbearance. There is enormous amount of bargaining power on the either sides and therefore for one party thinking to command the price is just wishful.

As clarified in the foregoing, the broadcaster would not be able to price its channels arbitrarily in the present market conditions on account of the multiplicity of the available platforms and

competing content. The above recommendation of forbearance at the wholesale level will automatically pass on the benefits of the competitive pricing to the consumer.

We are suggesting forbearance as an interim measure till proper digitization with addressability is attained. During this period, there always remains a possibility for the regulator to step in and frame suitable regulations if arbitrary increases are attempted to be forced on subscribers.

14. What is your view on the proposal that the broadcasters recover the content cost from the advertisement revenue and carriage cost from subscription revenue? If the broadcaster is to receive both, advertisement and subscription revenue, what according to you should be the ratio between the two? Please indicate this ratio at the genre levels.

We vehemently oppose any such proposal to segregate the costs and recover them from different revenue streams. It is wholly impracticable and extremely difficult to make such segregation and recovery with any amount of accuracy. Different programmes attract different audiences and advertisers look at different socio-economic criteria as well as audience profile. Audiences are fickle and advertising revenues cannot be guaranteed. Some programs may not garner advertisement revenues despite the high cost of creation of such content. Further new channels may not get much advertisement revenues despite investing heavily for creation of content. This disproportion between the advertisement revenues and content cost would adversely affect the creativity and the growth of television channels.

The broadcasters have made huge investments in content creation and distribution expecting the implementation of digitization with addressability by the government so that transparent subscriber base declaration may lead to better revenues in future. The proposed regulations defeats this purpose would deter future investments by broadcasters and any foreign investments in this field.

Viewed from a different perspective, such a proposition steals away the freedom to trade as a broadcaster is not free to design its business model. This could also be viewed as an extreme case

of authoritative regulation that may not be called for in a free economy like India. We feel that this is an unviable suggestion and would destroy the broadcasting sector.

15. What is your view on continuing with the existing system of tariff regulation based on freezing of a-la-carte and bouquet rates as on 1.12.2007; and the rate of new channels based on the similarity principle at wholesale level? You may also suggest modifications, if any, including the periodicity and basis of increase in tariff ceilings.

Capping the rate of new channels based on similarity principle at wholesale level was only a temporary measure envisaged by the TRAI. The present a-la-carte rates of the channels taking into consideration the gross under declaration and the growth of the market is not in line with the industry requirement. Unless proper time lines for complete digitization coupled with addressability are set out and implemented, there would be stagnation in tariff under the similarity principle. In our opinion, there should be complete forbearance in the whole sale tariff as the market is mature enough to ensure reasonability. Further we strongly recommend allowing broadcasters to provide the channels as bundles/bouquets at the wholesale level and scrap the a-la-carte model as the same do not translate into either choice or decreased costs for consumers. In an analog environment, the whole sale tariff is best left to forbearance.

16. Which of the following methodologies should be followed to regulate the retail tariff in non-CAS areas and why?

i) Cost Plus

ii) Consultative approach

iii) Affordability linked

iv) Any other method/approach you would like to suggest

We suggest forbearance at the retail level also as the consumer is swamped with choices available on various other digital platforms like DTH, IPTV, HITS, Mobile, etc.

17. In case the affordability linked approach is to be used for retail tariff then should the tariff ceilings be prescribed (i) single at national level or (ii) different ceilings at State level or (iii) A tiered ceiling (3 tiers) as discussed in paragraph 5.3.23 or (iv) Any other

We are advocating for free market and hence we do not suggest any of the approaches mentioned here.

18. In case of retail tariff ceiling, should a ratio between pay and FTA channels or a minimum number of FTA/pay channels be prescribed? If so, what should be the ratio/number?

We do not suggest any such ratio between pay and FTA channels or prescribed minimum numbers of either. We suggest that the packaging be left to forbearance as the ample competition in the market will address the situation effectively.

19. Should the broadcasters be mandated to offer their channels on a-la-carte basis to MSOs/LCOs? If yes, should the existing system continue or should there be any modification to the existing condition associated with it?

We feel that the above question is hypothetical in nature. Though the existing system mandates provision of channels on a-la-carte basis to MSOs/LCOs in non-CAS market, it has failed to register any progressive effect and has rather proved to be a failure. Such a provision has not met its objectives but has rather been misused by the MSO / LCO as a tool to negotiate higher carriage fees from the broadcasters.

20. How can it be ensured that the benefit of a-la-carte provisioning is passed on the subscribers?

We firmly believe that the intended benefits of a-la-carte pricing can be passed on to the subscribers only in a completely digital and addressable environment. In the present Non-CAS environment it has only benefitted the MSO / LCO in negotiating higher carriage fees from the broadcasters.

21. Are the MSOs opting for a-la-carte after it was mandated for the broadcasters to offer their channels on a-la-carte basis by the 8th tariff amendment order dated 4.10.2007. If not, why?

The a-la-carte option has been a failure and not preferred by MSOs. Presently the MSOs opt for the discounted bouquet rates and since there is no 'Must Carry' obligation, resort to carrying only the channels they desire.

22. Should the carriage and placement fee be regulated? If yes, how should it be regulated?

23. Should the quantum of carriage and placement fee be linked to some parameters? If so, what are these parameters and how can they be linked?

24. Can a cap be placed on the quantum of carriage and placement fee? If so, how should the cap be fixed?

We believe that we should follow the international example and leave the whole sale pricing, bundling and carriage to forbearance. Regulating any one of these without regulating the other would lead to imbalance in the system.

25. Is there a need for a separate definition of commercial subscriber in the tariff order?

We feel that in a forbearance regime any distinction between a residential or a commercial subscriber is not that relevant. However, if a need is felt to define 'Commercial Subscriber' then we suggest the alteration of the present definition in the tariff order.

26. If the commercial subscriber is to be defined in the tariff order, then does the existing definition of 'commercial subscriber' need to be revised? If yes, then what should be the new definition for the commercial subscriber?

We may define the term "Residential Subscriber" and classify every subscriber other than Residential Subscriber as "Commercial Subscriber".

27. In case the commercial subscriber is defined separately, then does the present categorization of identified commercial subscribers, who are not treated at par with the ordinary subscriber for tariff dispensation need to be revised? If yes, how should it be revised?

Just in case where a distinction is required to be made between the residential and non – residential subscribers i.e. Commercial Subscribers, we suggest that all non residential subscribers i.e. Commercial Subscribers should be subject to a different tariff which should be higher than the residential subscriber tariff. However as mentioned above, in a forbearance regime the identity of any subscriber should not be relevant.

28. Should the cable television tariff for these identified commercial subscribers be regulated? If yes, then what is your suggestion for fixing the tariff?

The tariff for the Commercial Subscriber should not be regulated and be left to forbearance.

29. Do you agree that complete digitization with addressability (a box in every household) is the way forward?

We fully agree that complete digitisation with addressability is the only way forward for further development of the television industry. The goals for digitisation should include the following:

- Introduction of digital distribution, with corresponding requirements to put in place addressable systems. (i.e. Conditional Access System in the same model as of DTH).
- Structured growth of the industry through implementation of effective regulation in areas other than tariff which may be left to forbearance.
- A new licensing regime for the MSO / LCO should be a part of digitization with addressability.

- The TRAI recommendations restricting on Cable Television Services dated 15th July 2008 should be implemented forthwith along with minimum eligibility criteria as has been set out earlier in this response for MSOs/LCOs to obtain license.

Further as observed in the Consultation Paper, the proposed mandate for digitization with addressability should include the following:

- A set top box would be installed in every home to allow for the benefits of digitization and conditional access to be realized at the last mile
- A pre-defined analog “switch-off date” to be set – after which no analog signal would be permitted at the last mile (even FTA channels should be available only through a set-top box). Service providers who are not digital cease to operate after the switch-off date. There may be an interim switch off applicable to all channels other than terrestrial channels and otherwise the switch off should be total.
- To promote uptake of digitization, incentives may be provided to the stakeholders. However, incentives to digitize would be made available only to players who are licensed.

30. What according to you would be an appropriate date for analog switch off? Please also give the key milestones with time lines.

We suggest that serious efforts be made to attain complete digitisation with addressability within the next two years (i.e. before 31st March 2012). We further suggest that the digitisation roadmap including establishing a machinery to oversee the process should be put in place by TRAI within the next two months in consultation with all stake holders.

Also in the meanwhile, the licensing norms should be made stricter and only cable operators with proper digital networks capable of addressability should be granted new licenses or renewals. There should be state level licensing authority that is capable of checking the proper eligibility criteria and technical feasibility of such operators before granting or renewing the licenses. The

postal department is not equipped to handle the licensing of MSOs/LCOs. A specialized licensing authority should be established for the same.

31. What is the order of investment required for achieving digitization with addressability, at various stakeholder levels (MSOs, LCOs and Customers)?

TRAI in its recommendations on Foreign Investment Limits for Broadcasting Sector has observed that the conversion from analog to digital mode and the associated up gradation of the networks across the country may involve a total outlay of not less than Rs.15000-20000 crores. However, if TRAI sets up proper milestones for digitisation and the enforcement machinery in place, it would attract more investments from domestic and foreign investors since the main issue holding back investments in this field is the high level of fragmentation.

32. Is there a need to prescribe the technology/standards for digitization, if so, what should be the standard and why?

BIS type parameters may be set by TRAI while prescribing the technology/standards for digitisation. However the technology should be neutral and interoperability should be mandated. If standards are set out properly it may even encourage domestic production of set top boxes and other associated products for digitisation. Further reverse integration of the conditional access system and the subscriber management system should be mandated to avoid leakages.

33. What could be the possible incentives that can be offered to various stakeholders to implement digitization with addressability in the shortest possible time or make a sustainable transition?

We suggest tax incentives / subsidies to encourage indigenous production of set top boxes.

34. What is your view on the structure of license where MSOs are licensed and LCOs are franchises or agents of MSOs?

We completely support this proposal as it is very much required to structure the industry and muster future growth. We further suggest that it would be ideal to allow only the MSOs to

downlink directly from the broadcasters to avoid further fragmentation of the industry. This would also help in bringing a viable pyramid structure to the industry and would enable it to function in a more transparent manner. In the foregoing paras we have suggest that the billing and invoicing to be undertaken at the MSO level in contrast to LCO level where majority under declaration takes place.

35. What would be the best disclosure scheme that can ensure transparency at all levels?

The disclosure schemes for the digital addressable environment can be covered in the digital road map to be set out by TRAI. In the interim period, we could obtain data of subscribers through spreading awareness amongst the subscribers and inviting them to take part in voluntary disclosure campaigns. This may be conducted by inviting all subscribers to SMS his/her name, pin code and the name of the cable operator who provides service to a toll free number. The data so received could be used to understand the actual subscriber base of each operator. Further, the details of cable operators servicing each household in the analogue market could be collected as part of the phase-II of the 2010 Census.

36. Should there be a ‘basic service’ (group of channels) available to all subscribers? What should constitute the ‘basic service’ that is available to all subscribers?

We are of the view that in the digital addressable system, there should be two basic service tiers.

1. Basic Tier without Set Top box.

The basic tier where no set top box is required should only consist of terrestrial channels and no satellite channels whether FTA or Pay. It is important for the success of digitisation to ensure that no channels other than terrestrial channels are available to the subscriber. Otherwise there would not be any incentive for the subscriber to shift to television service through a digital set top box. Though it is agreed that FTA channels are free, it would be important for the channels to know the number of subscribers to so as to understand the reach of the channel.

2. Basic Tier with Set Top box.

The basic tier where there is a set top box installed at the premises of the subscriber should contain a mix of pay and all FTA channels.

37. Do you think there is a need for a communication programme to educate LCOs and customers on digitization and addressability to ensure effective participation? If so, what do you suggest?

Yes, we certainly feel that there is need for proper communication to educate the LCOs and customers on the benefits of digitisation and addressability so as to ensure effective participation in the process. Advertisements in newspapers should be released setting down the benefits. Broadcasters can also play a part in a joint effort to drive across the message through advertisements and educational snippets. Awareness camps maybe held in each district to educate the LCOs in that area.

38. Stakeholders are free to raise any other issue that they feel is relevant to the consultation and give their comments thereon.

The definition of Subscriber Base based on negotiations for non-addressable systems should be removed from the Regulations:

The definition of Subscriber Base under the Telecommunication (Broadcasting and Cable Services) Interconnection (Third Amendment) Regulation, 2006 has lead to the recognition of negotiated subscriber base as the Subscriber Base for the non addressable systems which gives statutory recognition to under declaration and encourages piracy. .We therefore recommend suitable amendment to the definition.