

Subject: Fwd: Comments on consultation paper on Market Structure Competition in cable TV services Dated 25th Oct 2021

From: "V Raghunandan" <secretary@traai.gov.in>

To: "RAGHUNANDAN VARTHAKAVI" <raghunandan.vr@gov.in>, "Mahendra Srivastava" <pradvbcs@traai.gov.in>

Sent: Wednesday, November 10, 2021 5:01:09 PM

Subject: Fwd: Comments on consultation paper on Market Structure Competition in cable TV services Dated 25th Oct 2021

From: acboindia@gmail.com

To: "V Raghunandan" <secretary@traai.gov.in>, "अनिल कुमार - Anil Kumar" <advbcs-2@traai.gov.in>

Sent: Wednesday, November 10, 2021 4:41:09 PM

Subject: Comments on consultation paper on Market Structure Competition in cable TV services Dated 25th Oct 2021

To
The
Advisor (B&CS)
Telecom Regulatory Authority of India
New Delhi 110001

Re - COMMENTS OF ALLIANCE OF CABLE TV & BROADBAND OPERATORS (Regd.)

Sir

At the outset, we welcome the decision of the Authority to look in to the extant issues and to hold the present consultation process. India has embraced the Digitalization of Cable Tv services recently and yet to achieve 100 % of its implementation. On the other hand MSOs have invested huge capital in commissioning the required systems to enable DAS and LCOs have invested in establishing the network. The October, 2019 Amendment to Schedule-III of DAS Interconnection Regulations, is per-se a pre matured one, as the same has further forced the MSOs to upgrade their systems even before the ROI has gained confidence.

In a growing TV channel distribution market, if Mergers and Acquisitions (M&A) among competing MSOs were left un-regulated by the sector regulator, then there is a distinct possibility that such M&A might transform even competitive markets into monopolistic or oligopolistic market structures, where only a few firms dominate and markets become highly concentrated.

In such cases, dominant MSOs might misuse their market power to create barriers of entry for new players, provide unfair terms to other stakeholders in the value chain and distort competition. Further, it might also lead to selective blocking of content and become an obstacle to promoting plurality of viewpoints.

The broadcasting sector in the country has witnessed significant growth over the last two decades. Both the Government and the Telecom Regulatory Authority of India (TRAI) have been persistent in promoting plurality of broadcasting channels and multiple distribution platforms to ensure that consumers have a choice of services. The multiple platforms have also ensured competitive market leading to affordability.

There are a few large MSOs which operate in multiple states/Union territories, while other MSOs operate either on regional level or in a smaller areas. During the nascent stages of

digitization, MSO registrations were given for specific city, town, state, or PAN India, in DAS notified areas as mentioned by the applicant MSO. However, vide a circular dated 27th January 2017, MIB conveyed that all registered MSOs are free to operate in any part of the country.

The table at paragraphs 2.21 of the Consultation Paper shows the dominance of some of the PAN India MSOs and it is on account of their huge subscriber base that they get preference in dealings with the Broadcasters and get heavy discounts as compared to smaller MSOs restricted to a smaller area and these discounts are then passed on in the form of low subscription fee to their affiliated LCOs to attract subscribers and creation of monopoly and unfavourable market conditions for smaller MSOs with low subscriber numbers.

It is therefore clear from the table at 2.1 of Consultation Paper, that the level of competition in the MSOs' business is not uniform across the country. Certain States (e.g., Delhi, Karnataka, Rajasthan, West Bengal, and Maharashtra) have many MSOs providing their services. Whereas in certain other states like Tamil Nadu, Punjab, Orissa, Kerala, Uttar Pradesh, and Andhra Pradesh the cable television market is dominated by one or two MSOs.

It is submitted that because of its larger size, a MSO is able to reap the benefits of economies of scale and pass on the benefits to its affiliated LCOs and the customers. In practice, such dominance in certain markets may lead to non-competitive practices. However, if there is little or no competition or in case where barriers to entry exist, there is the distinct possibility of the abuse of dominance by the existing service provider(s).

There have been several cases in practice, where the dominant MSOs are misusing their market power to create barriers of entry for new players, providing unfair terms to other stakeholders in the value chain and distorting the competition. MSOs with a large network and customer base were leveraging their scale of operations to bargain with broadcasters for higher discount on content price and were also demanding higher carriage and placement fees. Such MSOs were able to exercise market power in negotiations with the LCOs on the one hand, and with the broadcasters on the other.

Large MSOs, by virtue of better negotiating power with broadcasters and charging higher carriage and placement fee from broadcasters, were in a position to offer better revenue share to LCOs. They, therefore, could incentivize LCOs to move away from smaller MSOs and align with them. Such MSOs used their market power to provide unfavorable terms or made it difficult for the broadcasters to gain access to the distribution network for reaching the customers. There were instances where a dominant MSO made it difficult for some broadcasters to have access to its distribution network for carrying content to consumers.

It is submitted that to arrive at the issue of dominance, "Relevant market" for the cable TV could be the entire market, i.e., the whole country or a State or a district. There is a strong presence of quite-a-few regional channels based on local languages. Obviously, the predominant customer base for the regional channels will be in the concerned State especially where state boundaries are according to the regional language.

We therefore strongly feel and urge that there is a need to check and control the monopoly of larger MSOs especially in view of Merger and Acquisitions (M&A) thereby gaining control and establishing a dominant position and consequent abuse of the same.

Thanking you.

Yours Truly

For ALLIANCE OF CABLE TV & BROADBAND OPERATORS (Regd.)

Abhay Bindu Dixit
(President)
Vineet Kumar Tripathi
(General secretary)