Chapter-I
Basic Service Tier for the Digital Addressable Cable TV Systems

1) What should be the minimum number of FTA channels that a cable operator should offer in the basic Serrvice tier(BST)? Should this number be different for different states, cities, towns or areas of the country? If so, what should be the number and criteria for determination of the same?

We agree with the number of 30 FTA channels in Basic Service Tier (BST). The number of 30 can be same across the country.

Multiple BST tiers above 30 channels like 30 /60/90 FTA channels can also be considered at different price points i.e., MSO / LCO should be allowed to charge extra for FTA channels provided over and above the 30 channels.

However, the channels which are to be provided in the FTA bouquet can be the choice of the MSO depending on the market conditions. Since the consumer has several choices in choosing the service provider including DTH, there should not be any restrictions by the regulator in terms of the specific genre / channels which MSO should carry to the consumer.

The 30 channel BST may also include 8 Doordarshan channels.

.2) In the composition of BST, what should be the genre-wise (entertainment, information, education etc.) mix of channels? Should the mix of channels and/or the composition of BST be different for different states, cities, towns? If so, how should it be?

A) The composition of BST in terms of genre and mix of channels should be left to MSO so that the MSO can provide the mix as per the requirements of the local consumer which could vary depending on Urban / rural/ religion/ education levels/ tastes of the consumer in the area. It may also be noted that India is a very diverse, multilingual and multi religious country and with growth in economy it has become a cosmopolitan country.

Eg) Within Kerala, the preferences of consumers in North Kerala / South Kerala and Central Kerala are very different. So also in the districts bordering Tamilnadu, Karnataka, the channel requirements of the customers are different which need to be catered to by the MSO depending on the requirements of the market.

3) What should be the price of BST? Should this price be different for different states, cities, towns or areas of the country? If so, what should be the price and criteria for determination of the same?

A) BST prices should be left to market forces. It is recommended not to have price regulation anywhere in the country.

Explanation: Though BST may not have pay channel cost, other costs involved in running the cable network like Electrcity, Right of Way, Labour, Maintenance, Transport, Marketing, Collection , cost of investment/ capital, Administration expenses etc vary widely depending on the quality of network, area of operations, Cost of living etc and has gone up steeply in the last few years.

For example, Cost of Right of Way has increased by 130 times in Kerala over the last 10 years.

Since BST in DAS era needs the FTA channels are to be availed through the STB, several MSOs have been offering STBs free / subsidised. This cost also needs to be factored in.

Since cost of various components needed to provide the service is not regulated, it is not recommended to stipulate the ceiling on the end service.

Considering this as well as the fact that the Cable TV service is so competitively priced that the prices have not gone up over the past 18 years, there is no need for the regulator to prescribe the ceiling on tariff as it might adversely affect the operators as the industry is already incurring huge losses on high investments. The industry needs he investments for digitalization and any regulation on pricing is likely to discourage investments.

Authority may also allow MSO /LCO to charge the STB rental from consumer if the same was given free earlier.

Multiple Basic Tiers: Authority may also allow multiple Basic tiers (30 / 60 /90 /120 channels) by the MSO to cater to customer needs.

4) **What should be a-la-carte rate of channels that form part of BST? Should there be a linkage between a-la-carte rate of channels in the BST to the BST price or average price of a channel in the BST? If so, what should be the linkage and why?**

a la carte rates of FTA channels may be left to market forces.

Explanation: Pricing of Cable TV Service has fixed and variable components. The cost of delivering the service does not vary with the number of BST channels delivered.

Cost compenents like, Electrcity, Right of Way, Labour, Maintenance, Transport, Marketing, Collection , Investment cost, STB subsidy, Administration expenses are fixed irrespective of number of FTA channels carried and hence the BST price should not be linked to the a la carte channels.

Chapter-II

Retail Tariff for the Digital Addressable Cable TV Systems

5. Should the retail tariff be determined by TRAI or left to the market forces? If it is to be determined by TRAI, how should it be determined?

Ans) The retail tariff in Digital Addressable Cable TV system should not be regulated but left to market forces because:

1) *There is enough competition in the market from multiple Cable TV operators in a given area in addition to 6 DTH players and IPTV service providers vying for the customer.*

2) *The price can be regulated only if all input costs are regulated. Several input costs other than content cost vary widely and can not be regulated. The tax structures, ROW costs, manpower costs vary widely across the country.*

But TRAI should come out with fresh wholesale rates for bouquet of channels and a la carte pay channels (rate applicable to MSO) for Digital Addressable Cable TV Systems (DAS) separately rather than applying 42% of NON CAS rates.

Explanation: *The current price for addressable system of 42% of Non CAS rates is too high which will again lead to negotiated deals which again means scope for discrimination and lack of transparency.*

While the Cable TV /digital TV rates are about Rs. 150-250 in most of the places including in digital service for almost all channels subscribed to, if 42% of the Non CAS rates are to be applied the pay channel cost per subscriber will be as high as Rs. 834/- excluding the BST as per calculations below:

Rates as per TRAI website:		http://www.trai.gov.in/Rates/NonCASareaschannel.pdf
Bouquet Name	Non CAS rate	Digital Addressable rate :42% of Non CAS rate
Zee Bouquet 1	57.99	24.36
Zee Bouquet 3	22.25	9.35
Zee Bouquet V	37.09	15.58
Zee Bouquet ix	28.56	12.00
MSM Discovery Bouquet I	58.82	24.70
MSM Discovery Bouquet II	46.93	19.71
MSM Discovery Bouquet III	65	27.30
Sun 18 Media Services Bouquet 1 A	29	12.18
sUN 18 Media Services Bouquet II	25	10.50
Sun 18 Media Services Bouquet III	18.26	7.67
Sun 18 Media Services Bouquet IV	16.69	7.01
Sun 18 Media Services Bouquet V	11.12	4.67
Sun 18 Media Services Bouquet VI	18.94	7.95
Sun 18 Media Services Bouquet VII	15.51	6.51
Sun 18 Media Services Bouquet VIII	24.44	10.26
Sun 18 Media Services Bouquet IX	20.33	8.54
STAR DEN Bouquet 1	50.08	21.03
STAR DEN Bouquet II	26.26	11.03
STAR DEN BouquetIII	86.33	36.26
STAR DEN Bouquet IV	14	5.88
Ushodaya	11.12	4.67
BBC worldwide	8.85	3.72
ESPN Bouquet I	47.27	19.85
Raj Television Bouquet I	13.35	5.61
Raj Television Bouquet II	16.69	7.01
Sahara Bouquet I	26	10.92
sAHara Bouquet II	35	14.70
Turner Bouquet I	29	12.18
Asianet Communications Ltd	15	6.30

Cost of all Pay channels @ 42% of NON CAS rates (based on bouquet pricing) to be paid to broadcaster		334.27
Though current retail price is left to market forces, if CAS revenue share (45: 30:25) is applied to this, the MSO will get 66% (30/45) of what broadcaster gets and LCO will get 55% (25/45) of what broadcaster gets		
Thus MSO share		220.62
LCO share on pay channels		183.85
Retail price of all Pay channels excl tax		757.22
MRP of all pay channels including Service Tax		834.5

If we add a BST price of say Rs.150 + tax, the customer has to pay Rs.1000 p.m. to get the channels which he is getting for about Rs.250 p.m.

If we apply a la carte rates, the price will be much higher than this.

It is essential to stipulate a much lower wholsale rate afresh for Digital Addressable System to keep the retail prices competitive.

The current linkage of Digital addressable rates to NON CAS is not logical as the rate for each channel factors in different under declaration factor in NON CAS system and hence is arbitrary. Linking the Addressable wholesale rates to such an arbitrary rate does not solve the problem of the industry.

Such high wholesale tariffs will lead to negotiated deals as in Analog era which are discriminatory in nature and upsets the level playing field expected in a Digital Addressable System.

While it is expected that Digital Addressable System will force several channels to go to FTA mode due to lack of viewers in pay mode, the forced negotiated deals due to high wholesale rate (at 42% of NON CAS rates) through bouquet system like in analog era will allow such channels to survive in pay mode, because of a other popular channels in a bouquet.

- We also recommend that the pricing by broadcaster should be non discriminatory with a provision for volume discount for MSO depending on the connectivity in a transparent manner.

Even before the mandatory analog sunset date for a given territory, it should be mandatory for broadcaster to provide signal to MSOs on digital addressable rates if both parties fail to arrive at negotiated rates. This is needed as some broadcasters are refusing to provide signals to MSOs based on Digital Addressable System citing that it is not mandatory to provide on addressable basis. Such a stipulation will help in getting ready for DAS era sooner.

(a) Should the a-la-carte channel price at the retail be linked to its wholesale price? If yes, what should be the relation between the two prices and the rationale for the same?

A) *a la carte channel prices for FTA a la carte and pay channels should be left to the operator to decide and need not be linked to the wholesale price because:*

The cost of cable TV service depends on multiple cost factors and content cost is only one component. Other components like ROW cost, Electricity tariff depend on the policies of respective state government. Other costs of operation like– transportation cost/ manpower/ maintenance/ marketing etc vary widely from operator to operator and place to place.

(b) Should there be a common ceiling across all genres for the pay channels or different ceilings for different genres? What should be the ceilings in each case and the reasons thereof?

A) *While there should be a ceiling on rates charged by the broadcaster on MSO, the retail pricing should be left to market forces. If at all, there is a ceiling on the retail rates, the maximum rate should be five times that of wholesale charged to MSO per subscriber.*

In view of severe competition among various players (Cable TV as well as DTH), there is no need for regulating the retail tariff. Such regulation on retail tariff will discourage the investors to invest the much needed capital - estimated at Rs.30,000 crores for digitalization of 100 million cable TV subscribers.

(d) Any other method you may like to suggest?
It is suggested that TRAI stipulate a competitive rate per subscriber to be paid to the broadcaster (about 10% of the NON CAS rate) and allow the retail price to the market forces.

Chapter III
Interconnection in the Digital Addressable Cable TV Systems

6. Does any of the existing clauses of the Interconnection Regulations require modifications? If so, please mention the same with appropriate reasoning?

Yes.

a) on provisions relating to Non Discrimination: *since the whole sale rates in Digital Addressable system are high @ 42% of the NON CAS rates, there is a likelihood of discrimination if the agreements are on on negotiated terms.*

To control discrimination, broadcaster may report to TRAI Operator wise (DTH / Digital MSO/ IPTV service provider) the number of subscribers availing the channel in a month and the billed amount for the same period.

b) ***Provision for Disconnection****: Disconnection notice by broadcaster through scrolls: The message should be at the bottom of the screen and should not obstruct the picture on the Television.*

If the amount paid to broadcaster for a bouquet is on negotiated basis as in the non addressable era, proportionate tariff must be applicable if the MSO wants to take a channel on a la carte basis.

7. Should the subscription revenue share between the MSO and LCO be determined by TRAI or should it be left to the negotiations between the two?

To avoid disputes, the revenue share between MSO and LCO may be prescribed by TRAI.

8. If it is to be prescribed by TRAI what should be the revenue share? Should it be same for BST and rest of the offerings?

Suggested Share pattern (excluding the taxes):*

	If STB Cost is borne /subsidized by MSO	*If STB is not subsidized by MSO /LCO*
BST	*MSO(80):LCO(20)*	*MSO(70):LCO(30)*
Pay channel	*MSO(80):LCO(20)*	*MSO(70):LCO(30)*
Value added Services like VOD /NVOD /HD / PPV	*Based on negotiated terms between MSO and LCO. Once this segment evolves and if regulation is needed, TRAI can prescribe it later.*	

**If network operations and maintenance are done by MSO, the LCO share should be reduced further by 10%.*

Provision for 'Must Carry'

9. Should the 'must carry' provision be mandated for the MSOs, operating in the DAS areas?

Must carry should not be mandated for MSOs because of the following reasons:

a) It is not correct that the network can carry unlimited number of digital channels, though the number can be higher than analog channels. The number of digital channels depends on the headend capacity, network capacity in terms of maximum frequency. At present most Digital headends in India carry about 125-200 channels (Asianet which digitized 60% of the subscriber base, carries 150 channels).

b) Several MSOs also provide broadband services and cable channels which restrict the number of satellite channels that can be carried by the MSO.

c) The carriage fee is one of the revenue streams MSO is dependent upon to reduce the losses. The subscription rates in India are too low for the cable industry to survive upon.

d) When there is no restriction on broadcasting industry on advertisement rates or the pay channel rates per subscriber, there is no need for regulating the carriage fee for a channel.

e) Potential investors will not be able to invest in digitalization of the loss making cable Industry if one of the key revenue sources is going to be regulated. When there was no regulation in (relatively low investment) Analog era, there is a need for MSO to supplement the the revenues from carriage for survival in digitalized era. Any regulation will turn away the investors in the industry which needs an investment of about Rs.30,000 crores for digitalization of 100 million homes.

f) As mentioned in 3.26 of the consultation paper, regulation of the carriage fee may lead to distortions and enforcement problems with unorganized MSO.

g) If ceiling is applied on carriage fee and it is met by many broadcasters, MSO will have difficulty in deciding which channels to carry because of the technical constraints as mentioned in point (a) and (b) above.

h) As pointed out in the consultation paper (3.26) as in analog era it applies to digital era also that since broadcaters also have other businesses, the payments may be disguised in a regulated environment.

i) High Definition (HDTV) services which are being launched by several broadcasters need higher bandwidth than Standard definition bandwidth restricting the number of *channels. Several broadcasters are carrying HD and SD channels which restricts the bandwidth further.*

j) MSO needs to invest substantial amounts to increase the number of channels and there is a cost associated with it.

k) The bandwidth needed to carry the channels to LCOs in various towns from the headend increases with number of channels and there is a cost attached to it.

l) several non serious broadcasters will use must carry provision without having good content valued by the consumers. Broadcasters who can't invest in content should not expect MSOs to invest to carry their signals to consumers.

10. In case the 'must carry' is mandated, what qualifying conditions should be attached when a broadcaster seeks access to the MSO network under the provision of 'must carry'?

a) *"must carry" channels must be FTA channels.*
b) *Must not be a defaulter on carriage fee to an MSO.*
c) *The broadcaster must pay the carriage fee as stipulated by MSO.*

11. In case the 'must carry' is mandated, what should be the manner in which an MSO should offer access of its network, for the carriage of TV channel, on nondiscriminatory terms to the broadcasters?

a) *Broadcaster should pay a minimum of Rs.5 p.m. per subscriber per channel to the MSO for all its subscriber base. This should be increased every year by 10% p.a. to take care of inflation.*

Carriage fee

12. Should the carriage fee be regulated for the digital addressable cable TV systems in India? If yes, how should it be regulated?

A) Carriage fee should be left to the market forces to decide based on mutual negotiations.

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

Carriage fee should be left to market forces to decide for the reasons mentioned above. Carriage fee is linked to the subscriber base of the MSO and the markets catered to in terms of TAM meters.

The maximum rate may be fixed by each MSO .

14. Can a cap be placed on the quantum of carriage fee? If so, how should the cap be fixed?'

The quantum of carriage fee may be left to the negotiations between the MSO and broadcasters depending on the revenue potential for the broadcaster, reach of the MSO, content of the broadcaster.

Standard Interconnection Agreements

15. Should TRAI prescribe a standard interconnection agreement between service providers on similar lines as that for notified CAS areas with conditions as applicable for DAS areas? If yes, why?

TRAI may prescribe a standard interconnection agreement for DAS also to avoid disputes between various players in the value chain.

We would like to humbly submit that the revenue share of 45: 30: 25 recommended in CAS regime is skewed in favour of broadcaster. Given the huge investments MSOs are making even while incurring huge losses, it is recommended that the revenue share be modified as 30:50:20 for broadcaster, MSO and LCO respectively. If the LCO has tied up with MSO and MSO is maintaining the LCO network, the ratio may be changed to 30:60:10.

Chapter IV
Quality of Service Standards for the Digital Addressable Cable TV Systems

A propos the above, the issues for consultation are:

i. **Do you agree with the norms proposed for the Quality of Service and redressal of consumer grievances for the digital addressable cable TV systems? In case of disagreement, please give your proposed norms alongwith detailed justifications.**

A) *Since disconnection and reconnection in Cable TV DAS needs removal and reconnecting cable, reconnection charges may be allowed. Similarly shifting charges, Annual Maintenance charges for STBs, complaint rectification charges shall be allowed in addition to subscription charges.*

B) *Authority envisages STBs to be given to subscribers on: Outright sale / Rental / Hire Purchase. Where MSO has already given STBs on free to use basis, the MSO can decide to convert the STB into one of the above three modes : collect the STB cost / Collect Rentals / Collect the STB cost in instalments.*

a. *Call center: It may not be possible to allow Toll Free Number for the Call center service with the regulated pricing policy.*

b. *Regarding the composition of package, if a channel is discontinued, the refund envisaged by authority shall be limited only to discontinuation of pay channels and not FTA channels. Since MSO and LCO are involved in collection and refund process, it should suffice if another channel of same genre replaces the channel. It is impractical to get choice of each subscriber for refund/ replacement of channel from subscribers and process the same.*

c. *Time limit for redressal of complaints: Complaints shall be attended within 8 hours of receipt of complaint except those received during night which shall be attended the next working day. If the complaint is received at the end of the day, such complaints shall also be attended the next working day.*

f) STB deposit refund: 7 days envisaged is impractical. May be allowed atleast 60 days.

ii. Please specify any other norms / parameters you may like to add with the requisite justifications and proposed benchmarks.

N/A.

Obligations of MSO and LCO towards ensuring the QoS and redressal of consumer grievances

i. Who should (MSO/LCO) be responsible for ensuring the standards of quality of service provided to the consumers with respect to connection, disconnection, transfer, shifting, handling of complaints relating to no signal, set top box, billing etc. and redressal of consumer grievances? Please elaborate with reasons.

Ans) Suggested Responsibilities are as below:

	Activity	*Responsibility*
A)	*Connection (Giving Drop cable at customer home)*	*LCO (should provide necessary documents to MSO)*
B)	*Activating connection (Set Top Box)*	*MSO (On receipt of CAF and payment)*
C)	*Transfer / Shifting connection*	*LCO. LCO should inform MSO regarding the new address through a new CAF form.*
D)	*Handling complaints – related to RF / Cable network*	*LCO*
E)	*Handling complaints – related to signal from Digital Headend*	*Mso through LCO. LCO should check network and escalate to MSO if it is related to Digital signal and not vable network*
F)	*Billing*	*MSO*
G)	*Redressal of Consumer grievances*	*LCO*

i. Whether Billing to the subscribers should be done by LCO or should it be done by MSO? In either case, please elaborate how system would work.

Billing to subscriber should be done by MSO as MSO operates and controls the SMS and billing systems.

Pre-paid billing

iii. **Should pre-paid billing option be introduced in DAS. Please justify your answer.**

From subscriber point of view, it helps in

a) *avoiding billing for the period he does not want to avail the service*
b) *the subscriber paying at various touch points.*

It also helps LCO / MSO in reducing the bad debts and reduces collection costs.

Chapter V
Miscellaneous Issues

A propos the above, the issues for consultation are:

i. **Whether an ad-free channel is viable in the context of Indian television market? Please elaborate with appropriate reasoning.**

Comment: Ad free channels is a niche area and such a concept needs to tried in Indiat. For a broadcaster who has content, say a library of movies, it may not cost much to offer the same on a separate ad free channel. The viability will depend on the quality of content and the pricing.

ii. **Should there be a separate prescription in respect of tariff for ad-free channels at both the wholesale and retail level? Please elaborate with appropriate reasoning.**

Since the ad free channels will on addressable mode, the same terms of Digital addressable system may be applicable to Ad free channel.

iii. **What should be the provisions in the interconnection regulations in respect of ad-free channels? Please elaborate with appropriate reasoning.**

The same provisions may be applicable to Ad free channels also.

iv. What should be the revenue sharing arrangement between the broadcasters and distributors in respect of ad-free channels? Please elaborate with appropriate reasoning.

Revenue sharing between Broadcaster: MSO:LCO may be fixed at 30: 50: 20.

MSO share is recommended higher as MSO needs huge investments in digitalization.

v) Any other relevant issue that you may like to raise or comment upon. ease justify your answer.

MSO / LCOs should be allowed to charge STB rentals if they were given to customers on Free to use basis / at subsidized rates.

MSO/ LCO should be allowed to charge Annual Maintenance Charges for STBs against which the STB will be repaired / replaced free of charge during the period.

Non-addressable digital set top boxes

In case you have any view or comment on the non-addressable STBs, you may please provide the same with details.

Ans: Non Addressable STBs should not be allowed as the problem of addressability is not solved lack of transparency between content provider /MSO/ LCO /Consumer will continue.

DAS should insist upon addressable STBs.

Reference point for wholesale price post DAS implementation

Would there be an impact on the wholesale channel rates after the sunset date i.e. 31st Dec 2014, when the non-addressable systems would cease to exist? If so, what would be the impact? Please elaborate with details.

A) It is highly recommended to declare the pay channel rates afresh under DAS as the Non CAS rates will be defunct starting form June 2012 in various territories.

The current price for addressable system of 42% of Non CAS rates is not only too high but also not logical to link the DAS rates with NON CAS rates as they were framed considering under declaration. Such a tariff will again lead to negotiated deals which again means scope for discrimination and lack of transparency.

While the Cable TV /digital TV rates are about Rs. 150-250 in most of the places including in digital service for almost all channels subscribed to, if 42% of the Non CAS *rates are to be applied the pay channel cost per subscriber will be as high as Rs. 834/- excluding the BST as per calculations below:*

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