

Bharat Business  
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Date: 13/01/2012

To,

Mr. Wasi Ahmad  
Advisor (B & CS)  
The Telecom Regulatory Authority of India  
Mahanagar Doordarshan Bhavan  
Jawahar Lal Nehru Marg  
New Delhi-110 002

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BTH/L  
DA -11 (B&CS)

Sub:- Comments on the Consultation Paper on "Issues related to Implementation of Digital Addressable Cable TV Systems" issued on 22<sup>nd</sup> December 2011

Dear Sir,

We highly appreciate the successful and endless endeavors of the Hon. Authority to bring about complete digitalization in the Country. The commencement of this journey was with the recommendations of the Authority to the Central Government regarding complete digitalization. As a part of this process, the above captioned Consultation Paper is also a welcome step forward which will set the trend for future regulation regime for the entire Addressable system.

In response to the captioned Consultation Paper, we are pleased to offer our brief comments as follows:-

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

At the outset we state that since we are approaching complete digitalization, irrespective of the manner in which the Cable segment is being regulated today, it is going to be ideal and we do suggest that if all Rules and Regulations which currently govern the Direct to Home Service Industry ("DTH") in this regard are replicated and adhered to, for the governance of the Digital Addressable Cable TV Systems ("DAS") in the country, the task of every stakeholder would become much expeditious and smoothly done. The Digital Addressable System will have to follow the footsteps of the DTH industry in more than one way when it will commence its transition into digital arena and on completion of the process of digitalization.

We would like to state that the content on any Platform including the DAS needs to be left alone for decision by the prevalent market forces as has been done in the case of DTH industry. Liberty and Freedom should be given to the DAS for creating their own different Packs contingent on the market requirements, choices of consumers and

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market forces. With respect to the minimum or maximum tariff for offerings by the DAS, same principles as being applied to the DTH ought to be adopted for such

offerings so that a level playing field is automatically created and maintained amongst different players. Thus, the carriage of content should be left optional.

As per our view there is no need of any criterion for carriage of minimum number of Free to Air Channels for the DAS and consequently there need not be any requirement of different minimum number of such channels for different states, cities, towns or areas of the Country. Such packaging of channels whether free to air or pay should be left to the discretion of the DAS providers. This will allow such Platforms to cater to the territorial or geographical needs of different regions of the country and will also enable them to cater to the choices of different segments of customers. We opine that the pricing of the Basic Service Tier (BST), including the a-la-carte rates of Channels should be based on the same principles as are settled for the DTH industry.

#### Chapter II- Retail Tariff for the Digital Addressable Cable TV Systems:-

Tariff related issues for all the addressable platforms have already been settled by the Hon. Authority by introducing the Telecommunication (Broadcasting and Cable Services (Fourth) (Addressable Systems) Tariff Order, 2010 dated 21<sup>st</sup> July 2010 and the certain issue regarding the same is sub judice before the Hon. Supreme Court of India. The Hon. Authority had devoted lot of time for bringing in the aforesaid Regulation which covered lot many sensitive and critical issues including tariff and consequently, we believe there is no further need to revisit the retail or wholesale tariff issues. This is more so since the above tariff regulation includes all addressable system including DAS along with DTH and other addressable systems like IPTV. There should not be any different treatment to DAS and DTH so as far tariff is concerned. This will enable to achieve a level playing field for all addressable systems in the country. Thus we strongly opine that equal treatment should be given to both DAS and DTH in this regard too and all applicable rules and regulations should govern them on equal footing.

#### Chapter III Interconnection in the Digital Addressable Cable TV Systems:-

With regard to the issue of "must carry" we are of the view that there should not be any mandate of "must carry" for any addressable platform. We state that the issue of carriage fee should be ideally left to the market environment and the demand and supply ratio in the market.

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## Chapter V Miscellaneous Issues

We state that there is no question of any ad free channel being in place and revenue sharing arrangement as referred to in this part does not apply to free to air channels and so far as the pay channels are concerned the parties negotiate the commercial part of any given transaction and hence there is no question of any revenue sharing arrangement.

In our view and in the context of the entire process of digitalization the reference as to the usage of "non addressable set top boxes" is not at all germane and the same is irrelevant. As per our view there will be no place for such non addressable set top

boxes in future. The definition of "Addressable System" as given in The Telecommunication (Broadcasting and Cable Services (Fourth) (Addressable Systems) Tariff Order, 2010 dated 21<sup>st</sup> July 2010 clearly includes not only DTH but also digital addressable cable services and thus the reference of non addressable set top boxes in the consultation paper seems to be misplaced.

In respect of production and manufacturing of set top boxes for completing the process of digitalization it will be in our common interest that the indigenous production and manufacturing of set top boxes needs a boost to bolster the entire process of digitalization as such encouragement will act as a panacea to all impediments of demand and supply of set top boxes across the country. It is advisable to keep in mind a very crucial fact that the DTH Service Providers have had to do huge initial investment which is continuing even to this date and the fact that multiple taxes are being levied on this Industry to its prejudice. Thus it is suggested that there should not be any place for hostile discrimination. It is a known fact that there will not be any license fee for the MSOs/LCOs providing DAS whereas the DTH Service Providers providing same services are subjected to the payment of 10% of annual license fees on gross revenue. We believe the Hon. Authority should really give a hard look at this aspect and provide and recommend level playing field by either abolishing or rationalizing the license fees to a minimum level. Additionally, it is suggested that for bringing the DTH industry and DAS as par in near future it will be ideal to grant certain tax holiday for the DTH industry. We further state that in order to promote and expedite digitalization process it will also be advisable that the Hon. Authority recommends about blanking the multiple layers of taxation both by the centre and the state.

According to us a level playing field needs to be put in place for the DTH and the DAS so as to allow both platforms to blossom in equal proportion without any tilt in favor of one. As we are aware the DTH industry is reeling under immense taxation burden and hence going by this experience both platforms should be treated and regulated alike.

Carriage fees should ideally be left for the parties to be decided since they are in continuous sink of the market environment, prevalent cost and investment structures and have the liberty to negotiate independently and arrive at the best possible figure in any given situation. We are therefore of the view that there is no need to regulate carriage fees.

Consequently, we also opine that there is no need of any cap or ceiling on carriage fees as the parties involved would be best suited for such decisions.

We believe that the Hon. Authority needs to develop a model standard interconnection agreement which would facilitate the parties to follow the same as a template.

#### Chapter IV Quality of service standards for the Digital Addressable Cable TV Systems:-

There are numerous Regulations of this Hon. Authority under which the DTH industry is presently governed and one of such regulations is The Telecommunication (Broadcasting and Cable Services (Fourth) (Addressable Systems) Tariff Order, 2010 dated 21<sup>st</sup> July 2010 which was brought in vogue by the Hon. Authority with respect to many matters like the wholesale tariff, retail tariff, offering of Customer Premises Equipment, Protection of Consumers against increase in prices, Reporting requirements etc. We are of the strong view that in the event all these provisions or similar ones are adopted for governing the DAS, the smooth and healthy expansion of digitalization will only be only a matter of time. Consequently, the process of transition from Cable to DAS will be that much more conducive for all stakeholders.

We entirely agree with the proposed norms of the Hon. Authority for regulating the Quality of Service Standards for the DAS and the corresponding regulations currently prevailing in the DTH industry can be made the benchmark. The aspects of connection, disconnection, transfer, shifting, options of sale, hire purchase and rental, discontinuation of a channel and the process of it, billing, establishment of call centers, appointments of nodal officers for redressal of subscriber grievances, inspection and auditing etc can be covered in the quality of service standards for the DAS as being currently applied to the DTH industry so as to create equal standing and effective management. Whilst we state that both MSO and LCO need to be made responsible for ensuring the standards of quality of services provided to the subscribers, in our view the MSO alone should be made accountable for billing the subscribers instead of the LCOs.

We would also like to state that since the entire country will soon be digitalized, it is expedient and crucial to ensure the creation of a level playing field for all players in the market with respect to each facet of the services. Attention needs to be focused on areas where disparity between current Cable industry and DTH industry exists to the advantage of one and disadvantage of the other.

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Similarly with regard to other taxes like Entertainment Tax, Sales Tax, Service Tax, Value Added Tax and all other applicable taxes should be first rationalized and then equally levied on both DAS and DTH without any kind of discrimination. However, in our view in fact the multiple taxation layers with which the DTH industry has been saddled with should be brought to the minimum so that the addressable industry will gain momentum and ultimately prove to be a boon for both the governments at the Centre and all States in terms of generation of revenue once the subscription graph gets upward trend. This we hope will generate better results for the governments in terms of revenue and also simultaneously help achieve the goal of digitalization in the country.

Thanking you

Yours faithfully,

  
Authorised Signatory