

Dated 30 January 2012

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**Response to TRAI Consultation Paper on Issues Related to
Digital Cable Networks**

Dear Sir,

The present step by the government for digitalization of all cable networks is very progressive, which was due since long. However, the new Law and the present Consultation lacks vision and is focused only in helping the Broadcasters get maximum revenue at the earliest. Success of the whole process of digitalization depends more on the betterment of the cable TV infrastructure of 100 million households, which is a long drawn process, requiring the right environment, incentives, level playing field, protection from unfair competition and predatory pricing.

This is the era of convergence where every 10% increase in broadband penetration increases the National GDP by 1.4 percent. This is a known fact that telecom companies have failed to achieve the target broadband penetration in the last ten years. Wireless broadband, although easily deployable, is never a robust solution and technology changes fast. Fiber optic cables are the best way to gain broadband reach for many years to come. Today, cable operators reach 100 million households and can carry much higher bandwidth than the telecom companies. TRAI knows this and have relied upon the cable networks for providing almost 50% of broadband connections by 2014 in their draft National Broadband Plan.

The present regulations must be framed with the above perspective in mind and cable industry be provided a total government protection for at least the next five years to let it develop its basic infrastructure which can carry a two way broadband digital signal. Only after that we should open it to competition with Telecom, DTH or IPTV etc.

Ground realities and present state of the industry has been totally ignored by TRAI. It is not possible to start from point Zero and finish the work within the time lines, after the industry has been left on its own for the last 20 years without any guidance and help from the government and all big sharks eyeing for it. It is best to start from where we are at present and then continue to progress without disturbing the eco system of the industry. It is not in the larger interest of the nation to migrate from 100% analog to

100% Digital in this short span of time. It has not happened in even the most developed markets, which many broadcasters want the industry to emulate.

Another important point for the new regulations is that they should be innovatively drawn up for the Indian industry and not made on the whims and fancies of some foreign companies who have no interest in nation building and are here only to make a quick buck.

Some of the ground realities not to be ignored are:-

- Cable Operators are presently providing Television signals on co-axial/ HFC Networks and broadband signals on Ethernet networks(CAT 5).
- Almost every last mile operator uses Fiber Optic Cables and Optical equipment to extend their networks (including in rural areas).
- On the average a band width of 550 MHz is carried by cable networks.
- MSOs are only aggregators of channels and provide back-haul services to LCOs.
- Many ISPs are providing broadband services through LCOs on their Ethernet networks.
- Regulations permit IPTV on Cable Networks.
- 80% last mile is with LCOs. There are no permanent affiliations of MSOs with distributors or LCOs.
- In no way MSOs can take over the 100 million HH last mile, even if they get 100% FDI. Building this last mile is 10-15 year job not possible in our country having so many infrastructure problems.
- Cable network last mile is much better for broadband than last mile of the Telcos.
- Cable networks can get the backhaul support from MSOs, Telcos, BWA operators and ISPs for various services. TRAI's new Broadband Plan supports this.

The above clearly makes Cable infrastructure the best for converged services of the future. Regulations should aim at strengthening the cable network infrastructure for converged services of both telecom and broadcasting.

This means that the cable TV networks must get government protection and help to consolidate and grow faster. Considering this, we need to modify the definition of entities in broadcasting as follows:-

- (a) Broadcasters.** They are the licensed entity with the I&B Ministry. Should not include Agents or distributors of broadcasters who only aggregate TV channels. A broadcaster is not only the one who broadcasts using satellites or terrestrial media, but also via internet, mobile devices or Wi-Fi.
- (b) MSO.** MSO is best suited for providing backhaul services to the LCOs. They should be licensed only for these services including TV, Internet and Broadband. They can be categorized into National, State and District level MSOs.
- (c) Last Mile Operators.** May or may not have a headend. They are the carrier of last mile services of cable and broadband for the MSOs, Telcos, ISPs etc.

There is no Level playing field at present and the Competition is very unfair. Much against TRAI's perception, level playing field does not exist in the industry.

Cable operators

- for the last 20 years are struggling to survive without any effective regulations.
- fighting with large multinationals who run broadcast channels, own DTH companies and MSO networks.
- There are no restrictions on cross media holdings.
- More than 60000 operators, fragmented industry and no incentive for consolidation.
- No investor will invest in small networks.
- They are yet to utilize the **Right of Way** provided by the present Law.
- They have to mostly depend on the MSOs, who are owned or have stakes of Broadcasters, for getting the signals.

DTH operators

- Are deep pocketed, mostly broadcast companies, operating total digital networks since 2003.
- Their operation started after MSO/ cable operator's opportunity for digitalization was taken away by the government for superfluous reasons.
- They had a free run to increase their business, violating the Guidelines of interoperability, tariff structure etc.
- Only in 2010, had a-la-carte and tariff structure imposed.
- They have already been permitted by TRAI to do mini cable networking using MDU systems.
- They can do HITS also on Ku Band.
- By its nature, all FTA channels are also digital addressable on DTH.

Now TRAI wants the cable operators to become all digital and compete with DTH from the day one. DTH operators are already eyeing to grab the cable subscribers during the start up time when MSO/Cable operators face many teething problems in implementing total digitalization.

Broadcasters will make the process of implementation so tough for the MSO/ cable operators that only their DTH companies and supported MSOs will benefit from the new LAW.

If regulations do not support the operators, maximum loss will be of the nation, left with underdeveloped broadband infrastructure even after 2014.

Considering the above, my comments on the Issues taken up in the Consultation Paper are given in the subsequent paras.

Issues for Consultation

Basic Service Tier for the Digital Addressable Cable TV Systems

1. What should be the minimum number of free-to-air (FTA) channels that a cable

operator should offer in the basic-service-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?

Comment-1

The number of channels in BST will be different in different regions and localities. Minimum 30 channels and DD channels can be part of the BST.

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?

Comment 2:

No prescribed genre-wise mix is needed in the BST. This should be left to the Cable Operators/MSOs depending upon the demographics.

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?

Comment-3

This price will be different for different areas and regions and will depend on the number of channels required. Since the channels are FTA, only transmission cost is involved, which is same for all SD channels. Rs 100 should be the average price of the BST which is an acceptable norm in the industry since long.

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?

Comment-4

No a-la-carte rate needed for the BST. It should sustain the business of the small operator. Rs 3.50 per channel is reasonable but in a small network it is not economical to provide a digital channel on the request of a few subscribers.

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?

Comment- 5

- 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?**

Comments 5a

- 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?**

Comment- 5b

There should be a common ceiling for all pay channels. HD channels to have a different ceiling than SD channels.

- c) **Should there be a common ceiling across all genres for the FTA channels or different ceilings for different genres? What should be the ceilings in each case and the reasons thereof?**

Comment-5c

Not relevant.

Any other method you may like to suggest?

Comment- 5d

- There should be a separate Tariff order for only FTA networks.
- Bouquet price should be offered by the MSOs or the broadcasters and not the aggregators.
- Broadcast of a single event on multiple channels should not be allowed.

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?

Comments-6

Modifications are required according to the technology used. The present regulations take into consideration mainly the DTH networks. We need separate interconnect regulations for LCOs who operate in very small areas comparatively.

Some of the reforms suggested in the present system are given below:-

- Interconnect agreements to be signed by only the licensed entities.
- Broadcasters (not the aggregators) must declare their rates publically.
- No minimum slab rate for pay channels since the system is transparent.
- No minimum guarantee to be paid to broadcasters.
- Operator can demand a-la-carte. No forcing of bouquets and no predatory pricing of channels.
- Any broadcaster refusing to provide signal other than on ground of non-payment, its license to be revoked after a warning. The system requires summary trials and not prolonged litigations that have ruined the business of many small operators.
- Broadcasters / MSOs must give signed copy of the Interconnect agreement to operators duly signed within 15 days without fail.
- For the next five years there should be total protection to the small operators to develop their infrastructure for broadband and not succumb to the highhanded tactics of the broadcast companies and their supported MSOs, who already have vertical monopolies in the market.

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?

Comment-7

Yes, 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?

Comment-8

- BST revenue to go to the LCO 100%.
- Pay channel revenue to be shared as 60% for LCOs; 20% for MSOs and 20% Broadcasters.

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

Comment-9

No must carry in DAS areas.

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'?

Comment-10 –

Not relevent

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?

Comment -11 Must carry cannot be mandated because sufficient spectrum is not available to carry all the channels. In fact the government is planning to utilize a big chunk of the cable TV spectrum for mobile and wireless broadband and DTT services. This will bring the carriage fee once again in the industry. This matter needs immediate attention of the regulator.

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

Comment-12

Yes. Only sharing of Carriage fee between MSO and LCOs to be regulated.

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?

Quantum is based on mutual negotiation with the broadcaster depending upon his expectations of earning ads. TAM areas will attract more carriage fee. LCO should get 50% of the carriage fee.

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

It cannot be capped. Leave it to market forces.

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?

Comment-

Yes. TRAI must do that.

It is perhaps, the first time the pay channels will have a real feel of the market forces. So far they had a free run, arm twisting the cable operators in accepting their large bouquets of channels because they could switch off their signals any time.

Consumers in India still do not know the rates of pay channels because they are paying for only a package of channels served by the operator. TRAI must strictly control the

present process now for the next five years to let the networks develop fully, so that Indian consumers get what they want at a price they can afford.

No unnecessary interference by broadcasters in the development of this national infrastructure should be tolerated.

Quality of Service Standards for the Digital Addressable Cable TV System

16. 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.

Comment-16

Since the present QoS regulations pertain to large addressable systems like DTH and IPTV where the services are offered by one operator for the whole country, same cannot be made to apply on the small MSOI and cable operators working in a few thousand household localities.

Existing regulations can be applied on the national level MSOs only. Applying on all networks will lead to an unhealthy situation where smaller players will face an uneven playing field.

As said in introduction, such a situation will harm the industry to a great extent making the nation suffer.

All stake holders must be given an equal chance to progress. Some of the proposed steps are given below:-

- Allow all existing cable operators/ MSOIs to **register as DAS operators** who wish to do so.
- All existing operators should be given an opportunity to migrate to digital without facing the hurdle of **stringent regulations**.
- **Allow CAM based headends for networks**. These are ten times cheaper, providing quality digital signals and are affordable by all big cable operators. They are similar to HITS headends which are already permitted. This will enable the small operators to consolidate among themselves and retain their livelihood.
- **Let all CAS vendors and equipment vendors get registered** with the government for their services, like the broadcasters.
- **No need to get the pre audit done** of equipment and the systems in the first five years. In a competitive market, only the best will survive. Pre-audits are a financial burden and we have no agency qualified to do so.

- **CAM and CI based STBs** should be permitted. They may be costly but in the long run will prove a boon for the subscribers who will have a choice to change their service provider without spending on a new STB. These are used all over the world. When government wants even the poor people who avail only FTA channels, to buy an STB, surely, subscribers who buy the costly pay channels, will also buy CAM based STBs to enjoy freedom to choose an operator.
- **Finger Printing** of broadcast channels is not a big issue since every MSO/ LCO who installs a CAS can generate the same at his own end. It is for his own good that he will take care of any revenue leakage in the system. Piracy is a national problem and should be tackled in a different manner.
- **There is no CAS system in the world that has not been hacked ever.** Hence putting extra restrictions for this on the operators is not fair and not in the right spirit of developing a new technology system in the country. Our main aim is to develop a digital broadband system and we should concentrate only on that. Such restrictions are not there for the IPTV operators or the Mobile operators.
- **Quality standards for the LCOs should be less stringent than other stake holders.**
 - There should be QoS for broadcasters too.

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

Comment-17

18. 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?

Comment-

Each to be responsible at his own end. This includes Broadcasters, MSOs and LCOs

19. 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.

Comment-

By the LCO since, he is dealing directly with the subscriber and provides last mile service. He knows that if he does not serve well, he will not be paid.

20. Should pre-paid billing option be introduced in Digital Addressable Cable TV

systems?

Comment-20

Both post paid as well as prepaid systems can be adopted. However prepaid must not land up in problems like in the mobile telephony.

Miscellaneous Issues

Broadcasting of Advertisement free (ad-free) channels

21. Whether an ad-free channel is viable in the context of Indian television market?

Comment-21 Yes, it is viable.

22. Should there be a separate prescription in respect of tariff for ad-free channels at both the wholesale and retail level?

Comment-22

Yes.

23. What should be the provisions in the interconnection regulations in respect of ad free channels?

Comment-23 Market forces and no regulations

24. What should be the revenue sharing arrangement between the broadcasters and distributors in respect of ad-free channels?

Comment-24

Broadcasters 40%, MSO 30%, LCO 30%

Non addressable digital Set top boxes

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

Comment-25 They must continue till the DD channels and DD Direct + become addressable.

Reference point for wholesale price post DAS implementation

26. 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?

Comment-26

Most of the pay channels will succumb to market forces and become FTA like it happened in Chennai in 2003. Wholesale rates will come down further.

27. Any other relevant issue that you may like to raise or comment upon.

Comment-27

Government cannot force a technology on a private industry. It must be an evolving process. We must retain analog where ever the consumers and the service providers are happy with it, particularly in rural areas and where it is not economical to go digital. Digitalisation requires large scale to operate. Present structure of the industry does not support total digitalization. Many preparations are required for achieving this like-

- Incentivise the operators who migrate to digital.
- Facilitate development of manufacturing within India creating a good research and development environment.
- Make cable networks part of the national broadband infrastructure
- Integrate the cable networks with telecom networks and national fiberoptic network.
- Facilitate Content development for the converged services.
- Integrate the cable networks with e-governance networks of the states.
- Encourage consolidation of the networks.
- Make state governments prepare for additional electric supply.
- All state governments to provide the Right of Way at the earliest.