



TELECOM REGULATORY AUTHORITY OF INDIA

GIST OF COMMENTS RECEIVED ON THE CONSULTATION PAPER ON
TARIFF CEILING FOR `BASIC SERVICE TIER` IN CAS AREAS

17th August, 2006

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INDEX OF STAKEHOLDERS FURNISHING COMMENTS

Sl.No.	Name	From Where
1	Col V.C. Khare (Retd.) – A Cable TV industry observer	Mumbai
2	Cable Operators Federation of India (COFI)	New Delhi
3	Shri Vikki Choudhry, National Cable & Telecommunications Association (NCTA)	New Delhi
4	Dr. A.K. Rastogi, President, All India Aavishkar Dish Antenna Sangh	New Delhi
5	Hathway Cable & Datacom Private Limited	Mumbai
6	Cable Operators United Front (Couf)	Delhi

Issue for Consultation

In the Telecommunication (Broadcasting and Cable) Services (Second) Tariff Order, 2004 (6 of 2004), after the existing clause 3A and the entries relating thereto, the following new clause and the entries relating thereto shall be added as clause 3B:-

“3B. Tariff ceiling for ‘basic service tier’ in CAS Areas:

Notwithstanding anything contained in the provisions of clause 3, in areas specified by the Central Government by notification under section 4A(1) of the Cable Television Networks (Regulation) Act, 1995 [7 of 1995], the maximum amount which a cable operator may demand from a subscriber for receiving the programmes transmitted in the ‘basic service tier’ provided by such cable operator shall not exceed Rs.77/- per month exclusive of taxes, for a minimum of thirty free-to-air channels. Free-to-air channels, over and above the basic service tier, would also be made available to the subscribers within the maximum amount mentioned above.

Explanation - For the purposes of this clause, -

“basic service tier” means a package of free-to-air channels provided by a cable operator, for a single price to the subscribers of the area in which his cable television network is providing service and such channels are receivable for viewing by the subscribers on the receiver set of a type existing immediately before the commencement of the Cable Television Networks (Regulation) Amendment Act, 2002 without any addressable system attached to such receiver set in any manner.”

Comments Received

1. The benchmark price of Rs.72/- per month did not take into account the quality of picture quality at the end of the line (farthest subscriber in terms of cable length in the network). This figure of Rs.72/- per month for 30 channels (analog - to be received without STB) was arrived at for a network spectrum 47-550 MHz transporting 62 channels, with a customer base of 32000 and a radius of operation of 7.5kms on coaxial cable. Technically, head ends using 500 series trunk cable over 47-862 M Hz and transporting 90 channels cannot deliver signal quality per IS 13420 beyond 4.8 kms cable length, with a cascading limit of 16 amplifiers. The subscriber base of 32000 was high as independent head ends were having 18000 subscribers on an average. On the other hand networks have consolidated with fiber, 120 digitally compressed signals, encryption and SMS hardware installed. If the upward and downward adjustment in cost for the above factors is taken into account the cost of Rs.72/- as prorated would give at least a minimum cost of Rs.100/-(exclusive of taxes). (Supporting calculations given; not attached with gist) (**Col V.C Khare, a Cable TV Industry Observer**)

2. The price of Rs.72 for 30 FTA channels fixed in 2003 was not realistic, as all parameters were not taken in to account. There was no representation of stakeholders in the committee. Only one MSO headend was considered and not the distribution cost through franchisee operators who maintain their own offices, technical maintenance staff, collection staff etc.) Quality of service was not considered while calculating number of subscribers and the number of subscribers was based on extended network of the MSO prevailing at that time. Radial distance of the network taken was 7 km on 500 Series Cables as against the BIS Standard of transmission of 4-5 Kms. Cost increase in water, electricity which has gone beyond rates of increase in inflation should be taken into account. The cost of FTA channels has to be reworked. Even as per our calculations submitted to the Ministry in 2003 the cost was Rs.180/-. One option is to use the benchmark of Rs125, which was the charge for 15-20 channels in 1994 when there were no pay channels In our view a minimum of Rs.150 should be charged for the basic tier considering the fact that TRAI does not want last mile operators to pay for the FTA package to the MSOs. An amount of Rs.30 to Rs.50 is being paid at present to MSOs. (**COFI, New Delhi**).
3. 10 years ago, most of the cable operators in the country were changing a price of around Rs 150 per month from the consumers when there was no pay channel in existence. Since this price was unregulated, it reflects market dynamics and cost structure. With an annual inflation of around 5 percent per year, the amount equivalent to this price at present value will be around Rs.180 per month. A price below this level will result in deficiency in quality of service for the consumers, Non-conformity with the provisions of CAS. & Standards of BIS, no investment in network up gradation or maintenance, loss of employment, incentivise most broadcasters to keep (or convert) their channels into pay, loss of revenue to the Indian Government and encourage under declaration by the cable service providers of FTA subscribers. The price as worked out by them during 2003 and given to the Ministry was around Rs.201.65 (Supporting calculations given; not attached with gist) (**Vikki Choudhry, NCTA**).
4. As per our tariff plan the basic service tier charges should be as under:

Rs.100 + 7% inflation + ST (service tax) for 30 channels

Rs.1+ ST (service tax) per channel exceeding 30 channels

The above tariff will be charged by cable operator from the consumer.
(Dr.A.K.Rastogi, President, All India Aavishkar Dish Antenna Sangh)

5. Original price for basic service tier was fixed in July 2003, three years back. The various parameters for determination of the said rate took into account, the cost of materials like cable, amplifier, electronics, collection/service cost etc. Most of the materials required for cable TV are manufactured out of metals like copper, aluminum whose prices have shot up significantly. Further power & fuel are important components in delivery of the services, which have also risen sharply in the last 1-2 years. There are further inflationary pressures on the overheads front like

salaries, administration etc. Further the LCO/MSO are bound to deliver at least 50-60 channels rather than the statutory 30 channels. Under the circumstances and keeping in mind the all round increase in costs of LCO's & MSO's , we request the Authority to fix the price of the basic service tier at Rs.100 per month (excl.of taxes) for a minimum of 30 channels. (**M/s Hathway Cable and Datacom Pvt Ltd, Mumbai**)

6. FTA price of Rs 72 + 7.2 = Rs 79.2 is not only unrealistic but also initially it was wrongly calculated. The FTA price may be increased. It should be around not less than Rs 150/- per month in order to facilitate the implementation of CAS. (**M/s Cable Operators United Front (Couf), Delhi**)