

DEN Networks Limited's Views (in red) on Consultation paper No.8/2011 dated 22 December 2011

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?
 - The minimum number of FTA channels that a cable operator should offer in BST to be left to the market forces. As the MSO can decide the packaging based on various factors including but not limiting to popularity of channels, age of channel, linguistic preferences etc. The consumer will also have a choice and say in formation of BST. Prescribing any number of channels is against the consumer interest as MSOs will formulate taking into consideration of choices of consumer. **BST Composition Should Be Left to the MSO.**
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?
 - Like other existing addressable platform it should be left on market forces.
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?
 - BST price should be more than Rs.150/-. It can be same for all over the country. Depending upon number of pay channels to be there in BST, the tariff should be decided. The huge investment incurred in distribution, running, maintenance costs [head-ends, optic fiber trunk wires both underground and overhead wires, costs for right of way, etc.] salaries and wages, rents for premises, electricity, collection costs, STB Cost etc. has to be considered.
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?

- Let the market force to decide the rate of a-la-carte channel that form part of BST. There should not be any compulsion regarding inclusion of any particular channel in BST. MSO can decide the packaging and pricing based on various factors including but not limiting to popularity of channels, age of channel, linguistic preferences, carriage and delivery cost of the channels etc. The Composition of BST should be left to MSO. The MSO for its own business sake will suitably determine the a-la-carte rate of channels that form part of BST.

5. Retail Tariff for the Digital Addressable Cable TV Systems

(a) 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?

- Like other existing addressable platform retail tariff should be left on market forces.

(b) 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?

- Like other existing addressable platform a-la-carte channel price at retail should not be linked to its wholesale price.

(c) 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?

- Like other existing addressable platform the retail price should be left on market forces. However at wholesale level there should be lower ceiling as exists in current scenario for other existing addressable platform.

- **DAS needs lower whole sale price vis-à-vis the other existing addressable platform.** The Authority should keep low the wholesale price for DAS as it is going to give mass volume in comparison to other existing addressable platform. As current scenario whole sale price offered by Broadcasters are on higher side under the grab of under declaration therefore when everything now becomes addressable than there would no allegation of under declaration at all so the

price should be lower than what it is being offered to existing addressable platform. The MSOs have intermediary like LCOs and based on mutual negotiation LCOs shares are also has to be paid out of the subscription fee so received and therefore whole sale price of the channels shall be lower for DAS. The a-la-carte wholesale price of the channel should be determined afresh keeping in view of the low ARPU in Cable TV Industry.

- (d) 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?
- It should be left to the Market forces and TRAI should not prescribe any ceiling. The price of FTA channels shall depend on carriage and delivery cost associated with it therefore when BST price has been fixed it should be left on market forces.
- (e) Any other method you may like to suggest?

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?
- The Existing Interconnection Regulations are not sufficient to take care of DAS.
 - (a) Clause 2 (g) should be in sync with the Amended Cable TV Act.
 - (b) Clause 5, 9,10,11,12,13 should also be suitably amended and should be in sync with the Amended Cable TV Act as the existing clause deals with non-addressable environment .
 - (c) The definition of DTH should be suitably amended to exclude multi dwelling unit (MDU). MDU technology is an intermediary and takes away the direct to Home nature of DTH. If allowed then it will convert DTH operators into another cable TV service provider.
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?

- The Authority should not prescribe any revenue share it should be left for market forces to decide. MSO for its own business sake will suitably reward LCO. Even in CAS notified area TDSAT has struck down the keeping of entire share of FTA by LCO.

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?

- N. A.

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

- **No**

Demand Far Higher than Supply: India already has over 800 channels licensed to broadcast. Many more have applied and are awaiting clearances. Once digitisation is achieved, 500-600 more channels could easily come into the market. The cable pipe can carry a limited no. of channels only and does not have unlimited capacity.

Market Forces Should Determine Carriage: An MSO has to make large investments in its network to create the infrastructure to carry channels. Carriage functions as an access charge to channels that want to use that infrastructure. Without carriage, there is no justification for the MSO to make any investments and consequently, **there will be no digitisation of cable in India.**

Fierce Competition Protects the Consumer: Cable distribution is a highly competitive industry where a cable operator is competing with 7 large and well funded DTH companies for the same subscribers. In the interest of keeping a subscriber, a cable platform will be forced to offer what the competition is offering. He cannot afford to be arbitrary in selecting which channels to show for fear of losing that subscriber. Hence, market forces alone ensure that the consumer is not denied what channels he or she wants to receive.

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'?

- **No Must Carry in other Addressable Platform:** There is no must carry in other Addressable Platform and operators are freely charging carriage from broadcasters. Broadcasters are paying because it is digital. Then, asking cable for 'must carry' lacks logic and justification.
- It will be a big dampener for the successful digital migration. Every product or service has a distribution cost associated with it. MSO are the link /access providers for the finished product to reach out to the consumer. MSO's are making huge investment in creating digital access. The cost of access has to be borne by either the broadcasters or the consumers. In a low ARPU country like India, it is important that consumer prices don't go up. The pricing of pay channels even at 42% (approx 400) don't provide any business model on a ARPU of Rs 160. In mature markets cost of access for the MSO's come in the form of revenue share or sharing of some of the advertisement time to MSO's to recover some cost. These models work to provide the cost of access to platform operators. The market will evolve over a period of time as other mature markets have and will find its own model.

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?

- **No Must Carry in other Addressable Platform**
- Must carry will bring in lot of non serious players and fragment the market further and will only add to the woes of the media sector. The cost here can be a ceiling on minimum number of channels to be carried by MSO and can't be forced to carry more than that figure. Like in Analogue mode we carry 100channels. Similarly in digital mode let it be 150. More over all the pay channels are available in a-la-carte mode and if the subscriber wishes to see the channel he can subscribe it so why there is need to have must carry. Let the

market forces decide. Compelling content will duly find its own place.

- National MSO will have more than 20 digital control rooms and to add each channel, huge investments are needed in backend, running into Crores. So MSO can't be forced to do it without any business model. And it is upto MSO to define what channels have to be carried in 150.

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

- **No Regulation on Carriage Fee**
- Carriage is an important revenue stream for cable operators and has to be left to market forces.
- Charging carriage to broadcasters is similar to broadcasters charging for content from platforms. Today, the prescribed content rate for broadcasters on digital platforms is 42%/35% of the current analogue rate. As per this formula, the total content cost comes to be higher than Rs 400 per subscriber per month. However, broadcasters disregard this and follow market forces and enter into fixed fee deals with other addressable platforms.
- Similarly, carriage should be left to market forces and the situation can be reviewed after full digitization in 2015 if a failure of market forces becomes evident.
- Regulation of carriage fee in the present circumstances is very difficult as it also implies regulation of positioning of channels. Our Country has diversified culture, language, choice etc. and there are different viewership patterns. The capacities of cable networks also have to be considered. Therefore any such regulation would lead to multiplicity of disputes. Even Public Broadcaster is charging carriage fee which receives grant from the Government and we do not get any such grant and regulating carriage fee also infringes the commercial bargaining power.

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?

➤ **No Regulation on Carriage Fee**

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

➤ **No Regulation on Carriage Fee**

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?

➤ **Yes. Firstly let the parties should negotiate their terms and in case there is disagreement then Authority should prescribe a standard Agreement. The standard format should be defined to follow in case of disagreement for the smooth roll out of DAS.**

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 along with detailed justifications.

➤ **We agree with the Quality of services norms as proposed but seeing the practical aspect we want some modification in the propose draft:-**

➤ **In clause 7.1 instead of “8(eight)” it should be “24(twenty four)”- The complaint received by MSO will be forwarded to LCO as the network of LCO is not in control of MSO therefore it will take some time so practically to implement it accurately time frame has to be increased.**

➤ **In clause 7.1 the night period should be clearly mentioned i.e from 9 pm to 9 am.**

➤ **In clause 7.2 instead of “24(twenty four)” it should be “72(seventy two)”- The complaint received by MSO will be forwarded to LCO as the network of LCO is not in control of MSO therefore it will take some time so practically to implement it accurately time frame has to be increased.**

➤ **In clause 7.2 instead of “48(forty eight)” it should be “72(seventy two)”- The complaint received by MSO will be forwarded to LCO as the network of LCO is not in control of MSO therefore it will take some time so practically to implement it accurately time frame has to be increased.**

- In clause 10.2 the word “forwarding” is to be substituted with word “receiving”- The complaint may be forwarded by Authority on time but due to postal delay or any other reason in reaching the complaint to the concerned cable service provider the cable service provider shall not be liable.
- In clause 11.1 the word “written” is to be deleted- Many consumers may not give written receiving and call centre by sending the mail or call back can record the redressal of the complaint of the subscriber. Taking written confirmation is practically not possible.
- In clause 12.1 scope of adding more offers should be left and should not be limited to only 3 offers. MSO can offer some other scheme from time to time.
- In clause 12.3 instead of “24(twenty four)” it should be “72(seventy two)”- The complaint received by MSO will be forwarded to LCO as the network of LCO is not in control of MSO therefore it will take some time so practically to implement it accurately time frame has to be increased.
- In clause 12.4 for refund instead of “seven (07)” it should be “thirty (30)” and for decision instead of “seven (07)” it should be “fifteen (15)” - The return of STB has to be informed by the LCO to MSO then MSO will forward it to technical department for verification of any tempering and then if not tempered will forward request to finance for refund therefore in all these process some time is consumed so practically to implement it accurately time frame has to be increased.
- In clause 15.1 instead of “one year” it should be “three months” – As in 11.1 the records are kept for three months so in sync with 11.1 the changes has been proposed.

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

➤ N/A

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?

➤ MSO will generate bill of each subscriber and will serve to Subscriber and subscriber have the option to pay through various payment gate ways i.e. online, pre-paid, drop box, etc.

or to LCO. Any subscribers' payment received by LCO shall be deposited to MSO. The complaint received by MSO shall be forwarded to LCO who will rectify it and MSO shall co operate with LCO to resolve the complaint of the Subscriber.

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.

➤ Since all the investments are made by MSOs therefore billing should be done by MSO's. and the system would work like this:-

MSO will generate the subscriber's bill and send it to the subscriber with a copy to concerned LCO and Subscriber as per his convenience can pay to MSO through various payment gate ways online, pre-paid, drop box etc. or to LCO. Any subscribers' payment received by LCO shall be deposited to MSO.

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

➤ Yes this will give option & choice to subscriber.

Miscellaneous Issues

Broadcasting of Advertisement free (ad-free) channels

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

➤ 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?

➤ Yes there should be tariff prescription but it should be on wholesale price and retail price should be left to the market forces.

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

➤ Same as it is for the other channels.

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

➤ The revenue sharing arrangement between the broadcasters and distributors in respect of ad-free channels should be in ratio of 40:60 respectively.

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.
- Already Cable TV Act as amended prohibits it and who so ever will do shall be dealt according to the provision of amended Cable TV Act.

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?
- Yes. Due to mass volume we expect that the price will go down.
27. **Any other relevant issue that you may like to raise or comment upon.**