

Subject: **Comments - Consultation Paper on Reserve Price for auction of FM Radio channels** Date: 11/06/19 05:12 PM

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Trafi Consultation Paper Comments.pdf (942kB)

To,
Mr. V. K. Agarwal
Telecom Regulatory Authority of India (TRAI)

6th November 2019

Subject: Stakeholder Comments on TRAI consultation Paper on Reserve Price For Auction of FM Channels dated 16th October 2019

Dear Sir,

Greetings from MY FM!

Please find herein below our comments on the captioned subject.

Q 1: Do you agree with the methodology used in TRAI's recommendations dated 15th March 2015 for valuation FM Radio channels? You may also suggest an alternative approach/ methodology with details and justifications.

Response: In response to the question no. 1 of the issues for consultation we would like to submit that we do not agree with the methodology.

In our opinion this is not correct mechanism, rather we suggest that minimum auction price in the particular category should be the reserve price and let the market discover the best possible price for each city. We have seen this in previous auction that cities within the same categories had closed on much different price based upon the market potential

Q 2: Can the Phase-III policy i.e. the highest bid price received for a city in Phase-II continued to be reserve price for the existing cities? If yes, is there a need to account for the inflation? If no, please suggest approach/ methodology for existing cities with justification.

Response: In response to question no. 2, regarding Inflation in OTEF, it may be please noted that, during the past 7-8 years, Radio operators has been working on the same net rate of advertising or lower rates and the saddening part is that there has been no change in the advertisement rates in most of the cities. The market conditions have been really bad and there has been a deflation, rather than inflation. We are of the view that, the reserve price should be a minimum of the phase II of a given category and let the market discover the best price based upon the potential in the city.

You may see that despite having the reserve price of just around 46 lac, one frequency each in cities like Dhule and Sangli etc. are still unsold and available for auction even after 3 rounds of auction in Phase II and batch 1 & batch 2 of Phase III auction because of low business potential. And now, we see that the reserve price quoted for similar potential cities is between 105 lakhs to 448 lakhs. This is a non-starter.

We request again to please keep the minimum auction price in the category should be the reserve price and let the market discover the best possible price for each city. We have seen this in previous auction that cities within the same categories had closed on much different price based upon the market potential.

Q 3: Do you agree that various technical changes, behavioural changes in listeners, availability of devices for FM Radio listening will be duly captured by the variables – Population, Per capita income, Listenership of FM Radio, and Per capita Gross Revenue (GR) earned by existing FM Radio operators, as recommended by TRAI in 2015, for valuation of FM radio channels in new cities? If not, what additional variables need to

be considered for truly reflecting the valuation of FM radio channels in new cities? You may also suggest alternative variables with details and justifications.

Response: In response to question no. 3 of issues for consultation, we would like to reiterate our suggestions that minimum auction price in the category should be the reserve price and let the market discover the best possible price for each city.

We would also like to mention here that additional factors such as emergence of digital radio, coming into vogue of smart phones without radio transmitters, car manufacturers installing radio streaming apps

vogue of smart phones without radio transmitters, car manufacturers installing radio streaming apps, emergence of digital videos on social media platforms have taken away radio listenership and which have a negative impact on the growth of radio industry, we suggest that these factors should also be taken into consideration to arrive at reasonable reserve price.

Q 4 : How should the present listenership of FM Radio in each state be estimated? Please provide your suggestions with justification.

Response: In response to question no. 4 of issues for consultation, we would like to submit that TRAI and MIB should work with broadcasters to establish a mechanism and independent agency to drive the listenership data for each city/coverage area instead of state basis.

Q 5: In case methodology as recommended by TRAI in 2015 for determining reserve price for FM Radio channels in new cities is adopted, should the reference price be taken as the average of successful bids received in Phase-III auction held in 2015 and 2016? If no, please suggest an alternative proposal with justification.

Response: In response to question no. 5 of issues for consultation, we once again reiterate that minimum auction price in the particular category should be the reserve price and let the market discover the best possible price for each city. To substantiate our stand, we would like to highlight certain data we have been able to retrieve from the results of batch 2 of Phase III auctions:

- i. Out of 266 frequencies put on for auction, only 66 frequencies were auctioned. This is nearly 25 % of total frequencies put on for auction and obviously not a number to vouch for.
- ii. Further, the Govt. targeted revenue generation of Rs. 916 Crore(s) from the auction process, however only Rs. 200 Crore(s) (approx) was committed by the broadcasters during a 26 day long process. This is possibly because the reserve price is way on a higher side and that is why many of the major broadcasters did not even participated in the auction process.
- iii. Out of 66 frequencies auctioned during batch 2 of Phase III process, 57 frequencies were auctioned at the reserve price.
- iv. Competitive bidding held in only 3% (9 frequencies) of total no. of frequencies (266 frequencies) put on for auction. This in itself is suggestive of the fact that the reserve price was on a higher side and that is why initial bid made became the last bid for remainder of 57 frequencies.

In view of our above mentioned response, we would like to request this esteemed office to consider our suggestions while presenting final recommendation to MIB.

Sincerely,
Vijay Garg
C.F.O. – Radio Division
D.B. Corp Limited

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Regards

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