

**Consultation Paper
On
“Issues related to Implementation of Digital Addressable
Cable TV Systems”**

Presented by

STAR News: India’s No. 1 FTA channel
(not just in news but across all genres)

STAR Ananda: No. 1 Bangla News Channel

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Implementing Digital Addressable Cable TV Systems

The PRINCIPLES under which the suggestions have been given are:

- I. Consumer interest is the critical determinant and his interest has to be safeguarded.
- II. These suggestions are for present scenario and should be re-assessed post phase 1 of digitization and prior to phase-2.

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?

- **Final Recommendation: A consumer should be allowed to choose any 70 FTA channels (or 50% of ALL FTA channels, whichever is lower) from amongst all FTA channels in the cable operators territory. This is in addition to any mandatory DD channels**
- What is ALL: All means all the FTA channels being re-distributed by any cable operator in the geographical territory in question.
- **Why this works:** Consumer will choose the channels that are relevant to him/her and by putting a cap on the maximum at 70, a cable operator is not forced to service non-relevant channels. A cable operator will not include an FTA unless it makes business sense to him and his carriage is safeguarded to a 'fair' extent. All pay channels will have to keep their product superior for consumers to pay them money beyond FST. Also in case the universe of FTA channels with a cable operator shrinks, then the max cap also shrinks so that cable operator is not short changed.

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?

- **Final recommendation: Consumers should be allowed to choose any 70 (in addition to mandatory DD) from all FTAs that a cable operator has in his repertoire.**
- **Why this works:** The abundance of FTA channels will ensure that consumer interests are safeguarded. Also since maximum cap of this number in BST at 70 it will ensure that a cable operator's expense are not increasing limitlessly.

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?

- **Final Recommendation: Same for all cities i.e. Not exceeding Rs 105/ month (exclusive of all taxes), and to increase annually indexed to retail price index**

- **What does this work:** It is the fixed fee being paid by consumer to cover the fixed costs of cable operator such as rental, salaries etc and hence should be same across cities/ towns etc, just like in CAS or in non-CAS. The price should be enough to cover the costs of rebroadcasting FTA channels which Rs 105 for 70 channels. It should increase every year indexed to the consumer price index and not be static, which is a reflection of costs.

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?

- **Final Recommendations: All FTA channels beyond BST to be given to consumers at a pro-rata price of BST price/ BST channel ($105/70 = 1.5$ at the current suggested price. All pay channels anyway have an a-la-carte price**
- **Why does this work:** The FTA channels being charge the prorated rate will ensure that cable operator gets his fair price of servicing the consumer.

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?

- **Final Recommendation: Market determined, TRAI regulated retail pricing**
- **Why this works:** All pay channels will eventually get what customer is willing to pay and TRAI regulation will ensure that so one is fleeced. Especially for one event like IPL channel cannot ask an unfair premium. Similarly TRAI should ensure that Channels do not differentiate between networks/ consumers for pricing.

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?

- **Final recommendation: Yes whole sale price should be 45% of the retail price, like in CAS and TRAI should control this.**
- **Why this works:** Consumer is paying for the product, hence it is imperative that the product creator (broadcaster) gets a direct share of the same. The percentage of 45% is capped as per CAS, the same should hold now.

5 (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?

- **Final recommendation: Market determined pricing, no ceiling.**

5 (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?

- **Final recommendation: Consumer should charged pro-rata basis BST pricing/BST channels, for any addition FTA channel beyond BST.**
- **Why this works:** Consumer interests are safeguarded. They choose the basic 70 FTA channels that they wish to watch and if more re to be included, no FTA channel is at a disadvantage.

5 (d) Any other method you may like to suggest?

- **Not Applicable**

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?

- **Final Recommendation: Comprehensive and hence no real change recommended**

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?

- **Final Recommendation: TRAI to always control the revenue share.**
- **Why this works:** the operational chaos of distribution is being regulated in a very short period. As the country transforms from LCO billing to MSO billing, there will be un-foreseen shift in balance of power for negotiation. Hence a neutral party like TRAI should control and regulate these negotiations in a manner fair to both parties.

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?

- **Final Recommendation: TRAI to cap MSO:LCO revenue share at 55:45 for phase 1 and conduct independent studies to review the same before phase 2 and then before phase 3.**
- **Why this works:** Law is about being uniform and hence in phase 1, TRAI should keep the revenue share as 55:45 as prescribed in the calculations. Also this shall enable businesses to carve out business models effectively.

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

- **Final recommendation: yes, Must Carry should be mandated.**

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'?

- **Final recommendation: On priority1 All News channels and priority2, all channels in the local regional language.**
- **Why this works:** As per constitution of India, News channels are a recognised "fourth estate" for society. Hence it is imperative that a must carry clause applies to all News

channels. Also all channels in the local regional language(s) shall ensure that consumer mass choice is not limited by distribution coercion

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 non-discriminatory terms to the broadcasters?

- **Final recommendation: All like channels to be bunched together in EPG.**
- **Why this works:** The consumer should be allowed unhindered access to the top channels. For the other channels, let the market forces come into play. This is provided the channel is willing to pay the carriage fee to the MSO.

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

- **Final recommendation: yes the carriage fee rate card should be published and transparent on a non-discriminatory basis. TRAI to be the regulator**
- **Why this works:** One cannot really predict the market growth but carriage fee came along to address the issue of low bandwidth in an analog setup. Digitization does not demand carriage but one cannot predict. However any carriage fee being taken by any MSO should be reported and be paid by all broadcasters in a non-discriminatory basis.

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?

- **Final recommendation: Yes. Carriage should be direct function of number of boxes serviced.**
- **Why this works:** Carriage is being paid by a channel to an MSO for the reach that he promises to the broadcaster. Hence it should clearly be linked to the boxes being serviced by an MSO. In case of any increase and decrease of the reach of that broadcaster in the MSOs region, the carriage cost should be proportionately change.

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

- **Final recommendation: Not required if it's non-discriminatory and linked to reach.**

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?

- **Final recommendation: yes, TRAI role for regulating service is imperative**

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.

- **Final recommendation: Agree with the recommended solution**

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

- **Final: No suggestions to offer**

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?

- **Final recommendation: The person investing and selling the STB, mostly MSO**
- **Why it works:** All billing is being done by MSO so he is responsible to the consumer. He may get the actions executed by someone but the responsibility is of MSO.

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.

- **Final recommendations: The person investing and selling the STB, mostly MSO**
- **Why it works:** The STB is an investment and he is actually effecting a transaction with the consumer so he should bill the consumer. The other partners like broadcaster and LCO or any other should get automatic generated revenue the moment MSO raises this bill.

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

- **Final recommendations: Yes**
- **Why this works:** This is the most effective and feasible formula which has worked in telecom, so it should work in media as well.

Miscellaneous Issues

Broadcasting of Advertisement free (ad-free) channels

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

- **Final recommendations: No Comment**
- **Why:** A futuristic imagination cannot be used as guiding principle for a law being crafted for regulating 800 existing channels

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

- **Final recommendations: All prescriptions should remain the same**
- Why this works: A law cannot differentiate.

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

- **Final recommendations: All prescriptions should remain the same**
- Why this works: A law cannot differentiate.

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

- **Final recommendations: All prescriptions should remain the same**
- Why this works: A law cannot differentiate.

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.

- **Final recommendations: Non addressable STBs to be eliminated**
- Why this works: The whole reason why this regulation is coming into fore and non addressable STBs are a direct threat to the success of TRAI implementing this regulation.

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?

- **Final recommendations: A-la-carte price for all channels to be available along with bouquet/package price (same logic as retail price). TRAI is the final regulatory authority.**
- Why this works: Post Dec 2014, a free market is recommended where whole sale price is a function of retails price. If the retail price changes then market forces will correct it and for any unfair practices, TRAI continues to be the regulator.

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

- **Final recommendations: Audit of MSO accounts by broadcaster and LCO**
- Why this works: All stakeholders like broadcasters and LCOs should have the access to audit the accounts of the billing person, in most cases the MSO.