TRAI's Consultation Paper on Tariff issues for TV services, dated Jan 29, 2016
Comments of IMCL- National MSO-Hinduja Group

Background and Objective:

- The consultation document is quite comprehensive and it has analysed and provided options under the prevalent scenario and with an eye for future growth, stability, transparency and fair share for this industry
- The cable distribution market for digitalisation has been striving to strike a balance for customer pay-out and the stakeholders fair share. However, mostly because of lack of trust and all stakeholders not in sink to invest for digitalisation, the tariff for this sector even in Digital Platforms DPOs remain skewed favouring mostly one or two stakeholders in a value chain of 4 to 5 stakeholders .
- The objective of digitalisation for the cable industry and the TV viewing industry was to ensure the Quality of services to customer , through continuous customer support solutions through call centre, direct door to door help and software upgradations .
- The second objective off course was to ensure choice of channels /contents on TV to customers based on his ability to spend on TV content amount and to have transparent pricing of channels and bouquet in a digital world.
- In the Digital cable industry , the above two objectives are still to be fully achieved and we believe this can be done in a phased wise manner , as far the various regulatory models enunciated in the document. We should consider a Regulatory digital tariff, which is totally independent of the past analogue and all other pending Legal cases .
- It is important to note that although the entire framework is being discussed for all DPOs jointly (DTH, MSOs, IPTV, HITS), there need to be a fine tuning for digital cable industry (MSO and HITS) as it comes from a legacy of a

business model, which is most possibly imperfect and becomes biased/skewed , based on the collection abilities of the stakeholders in mostly a post paid scenario.

Before we dwell upon the tariff policy for various models, it is important to emphasise that the total subscription amount being received by Pay Broadcasters from all DPOS is known /can be made available by Broadcasters to TRAI.

The basic theme of these tariff regulations, especially for a partial analogue cable industry, should be based on present actuals , versus growth of say around 15% from analogue and then in phased manner over next two years integrating with further light touch regulations on tariff.

The Responses Follows:

Q1. Which of the price models discussed in consultation paper would be suitable at wholesale level in broadcasting sector and why? You may also suggest a modified/ alternate model with detailed justifications.

Modified Regulated RIO at wholesale level , mandatory for ala carte rate and bouquet rate , with market reality based linkage for bouquet and ala carte. In this also FTA channels cannot be bundled in any bouquet. Other minor modifications can be considered. Genre wise and twin conditions. Niche channels separately to be handled . Regulatory RIO should not be the old 42% of analogue RIO.

The calculation should be based on present actuals (of analogue) and the present Bouquet offered. The Regulatory RIO ala carte can be maximum 15 to 20% higher than the average price of each channel in Bouquet.

Bouquet from Broadcaster may have genre wise .

One important issue which we observe is that the common RIO for all India has some illogical pricing issues , based on the language and region in various parts of India.

Hence we ideally would like to have a State wise wholesale RIO , else at least , the wholesale RIOs should be broken up into 6 to 8 Regional Clusters in India and varied pricing should be provided , based on the language of that areas. This is eventually happening , but in a negotiated way even now. We feel above Region wise RIO will bring more transparency and non discrimination

Q2. Which of the corresponding price models discussed in consultation paper would be suitable at retail level in broadcasting sector and why? You may also suggest a modified/ alternate model with detailed justifications.

In case above the Regulated RIO model is accepted, then exclusive ala carte model , with genre wise price can be adopted .

The MRP if provided by regulator , should ensure the sharing of at least 45: 35:25 , Broadcaster: DPO/MSO: LCO format , linked to the wholesale price offered by Broadcaster to DPO/MSO.

Any discounts , if offered by broadcasters should be transparent and on non discriminatory basis

This should be based on the market realities and possibilities of pricings suited best with differential packaging base on regional and socio cultural needs. Since we may have to define integrated model , this may undergo change, which is discussed later in the model option.

Q3. How will the transparency and non-discrimination requirements be fulfilled in the suggested pair of models? Explain the methodology of functioning with adequate justification.

The transparency is required in the entire chain of stakeholders.

The Regulated RIO for ala carte and bouquet will be transparent to all B2B business, i.e., DPO, Broadcasters, LCO and even customers ,as these are well detailed and digitally uploaded in the Broadcaster sites/portals and even Regulator website/portal The LCO and customers will be knowing the full MRP of final price of ala carte and bouquet of the DPO , as this will be publicly known and regulated with the option selected above .

The Interconnect agreements can be firm for the sharing between DP and LCO and can be updated transparently on concerned websites. The customer be allowed to pay prepaid and so should be the LCO . The share of amount/discounts automatically credited/debited, including any schemes/discounts etc.

The most important issue is to ensure prepaid collections , where the prepaid can be directly from LCO or customer. In case customer gives prepaid , the share of LCO will be automatically credited.

We expect a Prepaid regulation as mandatory , post-paid can be only by choice

Q4. How will the consumers interests like choice of channels and budgeting their expenses would be protected in the suggested pair of models? Give your comments with detailed justifications.

Since the ala carte choice and bouquet choice , both available , customers channel choice and budgeting will be protected for the above pair of wholesale and retail pricing..

Q5. Which of the integrated distribution models discussed in consultation paper would be suitable and why? You may also suggest a modified/ alternate model with detailed justifications.

The integrated distribution model are interesting and seem to be more transparent and also much better manageable .

Among the three, 1st one is similar to old CAS price model, the second one needs a more matured market.

The third one , which is the Distribution Network Model is most promising and can be considered with some more modifications , if required.

This model is more fair and transparent to all stakeholders and leave a provision for innovations and new service/content launches

The DPO's amount of rental and FTA amount is being considered to be directly taken from customers . However in a MSO and HITS models , the amount is always collected by the LCO. Hence there should be regulation of the price/rental/amounts to be charged by this DPO (MSO, HITS) from the LCO on a prepaid basis for all active digital subscriber base. The LCO in return should charge the amount with may be additional 20% to 30% margin from the customer. If the network charge is 120 by DPO for network and 100 FTA channels, the LCO can charge upto Rs. 150 from the customer for this.

The Pay channel and Bouquet can be offered by Broadcaster , with they declaring the ala carte and such pay bouquet prices. Genre wise.

The DPO can also make bouquet in combination with even FTA channels and even FTA channels bouquet can be made by DPO

DPO should be allowed to charge FTA channel price if required as per market needs and forbearance (which are not part of basic amount bouquet)

The customer should take the basic bouquet and any other FTA , Pay or FTA + pay bouquet as offered.

There are some additional proposition in this model , which is being brought out below:

The Distribution Network Model should consist of the following revenue to DPO platform:

1. A basic Carrying cost of each Broadcaster , which should be paid to DPO by Broadcaster. (The DD DTH runs only with this revenue model). In case of DPOs a small optimum amount linked to subscriber base levels can be worked out. This basic carrying cost can be as low as Rs.2.50 per year to Rs. 5 per year , per subscriber in the DPO network. The volume based rules can be made
2. There should be a Network Network technical back end fee , which can be anywhere from Rs. 20 to Rs. 100 per sub per month basis to DPO directly(The calculation can be based at Re 0.20 per channel/per month- for 100 to 400 channels active for a sub). This is for CAS, SMS, Call centre, encryption, packaging, Billing info, portals , technical support etc.
3. Along with this the minimum FTA carrying amount should be there for DPOs for a minimum of say 50 to 100 FTA channels. The amount share for DPO can be deliberated , however, we feel at least Rs. 150 per sub per month ,should be be provided by customers(including the network backend charges , as in 2) . LCOs in case of Digital cable/HITS can add up their margin (presently this share is 55:45 for MSO:LCO). This ratio can be 70:30 or may be Rs. 100 to MSO and Rs. 50 to LCO
4. For Pay channels the method discussed in the Framework of Distribution Network Model is fine.
5. DPOs can also continue to make FTA plus Pay channels bouquet additionally in this model

However, we have a more specific model , which is explained in Ques. 42, which may be more effective for consumers..

Q6. How will the transparency and non-discrimination requirements be fulfilled in the suggested models? Explain the methodology of functioning with adequate justification.

The entire process as explained above will be completely transparent with all amounts /costs publicly known

We believe this could be the most non discriminatory model and if we go by the steps as above , this should fulfil the non discrimination at the stakeholders levels and complete transparency for all , including customers

The transparency and non discrimination is well adhered , as all price and policies in public domain . Even for any any discounts , there should be transparent mechanism

Q7. How will the consumers interests like choice of channels and budgeting their expenses would be protected in the suggested integrated distribution models? Give your comments with detailed justifications.

The Distribution Network model is able to provide choice of channels or bouquet for all possible kinds of channels , FTA, Pay and Niche.

Since the packaging and bundling will mostly be direct for FTA separate and Pay separate , the ability of choice and budgeting is well protected for customers

Q8. Is there a need to identify significant market powers?

It can be considered for both DPO and Broadcaster.

It is important to make specific efforts to bring this issue in our models

Q9. What should be the criteria for classifying an entity as a significant market power? Support your comments with justification.

For Broadcaster – based on the language /region and BARC ratings , and also total number of customers keeping the channel active/subscribing

For DPOs by market share of the total Pay TV homes

This can be considered for an entire district level only

May be for larger districts Urban and Rural differentiation be considered

These criteria will pave way for any differentiated regulations on pricing, bundling and other monopolistic threats to market , which can jeopardise the customers independent choice issues and skewness in business terms amongst the B2B stakeholders

Q10.Should there be differential regulatory framework for the significant market power? If yes, what should be such framework and why? How would it regulate the sector?

There can be light touch differential regulations…. This can be deliberated separately for a minimum regulation , only if the free market situation is monopolised Pricing of flagship channel in case of Broadcaster should not me more than viewership share of respective channel.

Example:

DPO : Placement, carriage , can be genre wise /(location)

Q11. Is there a need to continue with the price freeze prescribed in 2004 and derive the price for digital platforms from analogue prices? If not, what should be the basic pricing framework for pricing the channels at wholesale level in digital addressable platforms?

The price freeze of 2004 can be fully abolished, but so should be the 42% analogue price criteria for digital pricing!!
The method should be based on the existing estimated amount being received by pay channels and with the parameters of number of pay channels and actual estimated subscribers, the wholesale digital price can be considered
Wont mind even if there is a price forbearance on Wholesale price or retail price by broadcasters for ala carte pay channels , bit there has to be a clear mandation of necessarily providing bouquet price also and these bouquet price should have strong regulatory framework of not making the ala carte price (either at wholesale level or retail level) completely unacceptable to a customer and skewed to force only bouquet !
Investment of DPOS and investment in content by some broadcasters should be considered.

Q12. Do you feel that list of the Genres proposed in the consultation paper (CP) are adequate and will serve the purpose to decide genre caps for pricing the channels? You may suggest addition/ deletion of genres with justification.

These Genres are fine , but we should consider additional in the main genre as :
GEC English, GEC Hindi, GEC Regional and Hindi Movies , English Movies and Regional Movies.
Also other Genre like Shopping, Real Estate, Niche Sports (Golf/Horse Racing etc.), Health can be added

Q13. Is there a need to create a common GEC genre for multiple GEC genre using different regional languages such as GEC (Hindi), GEC (English) and GEC (Regional language) etc? Give your suggestions with justification.

As above. Not serve the purpose. We believe the GEC as Engish , Hindi, Regional Language has to stay , as the local requirements , pricing etc. may differ.

Q14. What should be the measures to ensure that price of the broadcast channels at wholesale level is not distorted by significant market power?

As mentioned above , a bit of differential regulations. Viewership , BARC, subscription

Q15. What should be the basis to derive the price cap for each genre?

Existing Bouquet price divided by number of channels and to maximum of 2.5 times for ala carte (only pay channels may be considered). This is for CAP for each genre

Similarly there should be formula for deriving ala carte vs bouquet , with a condition that no channel ala-carte wise is more than 1.5 times the average channel price in bouquet

Q16. What percentage of discount should be considered on the average genre RIO prices in the given genre to determine the price cap?

Depending on the model , for example for Regulated RIO model , it can be based on % penetration and assured number of eyeballs

Will prefer an incentive structure , based on various parameters of business, just a discount can distort the transparency and non discrimination issues in the model.

Q17. What should be the frequency to revisit genre ceilings prescribed by the Authority and why?

Once in 2 years. One year time is taken to check the settlement of this genre amounts, corrective actions, if any can be analysed in year 2 , the deliberations can happen before end of year 2 and the Authority can revisit the figures /cap after 2 years .

Q18. What should be the criteria for providing the discounts to DPOs on the notified wholesale prices of the channels and why?

Same as in Ques 16 comments . We need to ensure that non discrimination is not violated

Q19. What would be the maximum percentage of the cumulative discount that can be allowed on aggregated subscription revenue due to the broadcasters from a DPO based on the transparent criteria notified by the broadcasters?

As mentioned there is no maximum amount , however based on a performance business matrix , maximum 10% weighted discount can be offered

Q20. What should be parameters for categorization of channels under the "Niche Channel Genre"?

Niche channels basically should be ad free..

Niche channel only ala carte choice for 1 year …

New genre, ad free.

HD, 4K can be niche for 1 year

Q21. Do you agree that niche channels need to be given complete forbearance in fixation of the price of the channel? Give your comments with justification.

For the first year the above defined niche channel can be given complete forbearance

Q22. What should the maximum gestation period permitted for a niche channel and why?

12, months based on % share of customer base

Q23. How misuse in the name of “Niche Channel Genre” can be controlled?

Ensure minimum revenue for DPO.
If the content differentiation with SD channels are not there and the so called niche channel run ads also , then the real definition as explained above to be considered

HD channels may not be considered Niche now on…as they use the same SD content and are not ad free . If it all they may have a very small technical cost of delivering in HD (additional to SD channel delivery)

Q24. Can a channel under “Niche Channel Genre” continue in perpetuity? If not, what should be the criteria for a niche channel to cease to continue under the “Niche Channel Genre”?

NO …as explained above , the definition of Niche channel to be formed. Most Niche channel may go out of definition after 1 or 2 years . Price should remain same for 2 years

Q25. How should the price of the HD channel be regulated to protect the interest of subscribers?

Yes to be regulated, same SD contents, cannot be more than 1.5 times of ala carte price of SD from Broadcaster to DPO.

Similarly DPO should not put the MRP more than 2.5 times of SD for consumers .

Regulated for 2 years

Q26. Should there be a linkage of HD channel price with its SD format? If so, what should be the formula to link HD format price with SD format price and why?

As above

Q27. Should similar content in different formats (HD and SD) in a given bouquet be pushed to the subscribers? How this issue can be addressed?

Consumer should not be pushed , DPOs can consider some benefit with a business formula as incentives and discounts

Q28. Do you agree that separation of FTA and pay channel bouquets will provide more flexibility in selection of channels to subscribers and will be more user friendly? Justify your comments.

Yes we are open , however, FTA plus Pay bundling option with DPOs should also continue, which can be utilised based on market /price situation for customers.
Both FTA bouquet MRP and Pay Bouquet MRP can be regulated in principle (for pay based on the wholesale offers and margins for DPO and the distribution chain)

Q29. How channel subscription process can be simplified and made user friendly so that subscribers can choose channels and bouquets of their choice easily? Give your suggestions with justification.

In todays digital world, web portals , applications , call centre activation , self help portals can be utilised.
However, we recommend all these choice , convenient , simplified and immediate only in Prepaid basis .

Q30. How can the activation time be minimized for subscribing to additional channels/bouquets?

It should be prepaid , activation time then will vary from few minutes to maximum one hour. New technology , Mobile access and portals should be channelized
All revenue share and taxation amounts should get adjusted in these platforms

Q31. Should the carriage fee be regulated? If yes, what should be the basis to regulate carriage fee?

There is a basic carrying cost for every channel in DPO platform. This should apply to any channel on the platform. Most of the Pay channels not willing to pay the carrying cost.
We recommend the following:
The carrying cost /carriage should be mandatory for each channel.
Genre wise highest CAP can be considered (in terms of per sub/per month rate).
This can be viewed in light of DD Free Dish Model
Should apply to all FTA and Pay channels
There should be formula for DPOS/Broadcasters and non discriminatory for all

channels (may be genre wise).
In principle carriage fees does not need any regulation, being B2B business and is based on the business models for reach, ad revenue etc. for a broadcaster.

Q32. Under what circumstances, carriage fee be permitted and why?

It is a mandatory cost as explained above , should be considered in all circumstances. It is a small distribution cost for any channel to be readily available in a high quality digital format . DPOs /MSOs have incurred heavily and continue to incur on the digitalisation , STB discounts, CAS, SMS, back end services and so on. Also Broadcasters revenue model is only because it is carried in these platforms

Q33. Is there a need to prescribe cap on maximum carriage fee to be charged by distribution platform operators per channel per subscriber? If so, what should be the "price Cap" and how is it to be calculated?

No Cap on maximum carriage fees is required. However, as explained above, Genre wise (per sub/per month cost based) caps can be considered.

Q34. Should the carriage fee be reduced with increase in the number of subscribers for the TV channel? If so, what should be the criteria and why?

The Carriage fees per sub rate can be reduced with increase in subscriber .

For example :

For volume upto 3 million : price per sub/month : A
For volume over 3 million and to 5 million : price per sub/month : (80% of A)
For volume over 5 million and to 10 million : price per sub/month : (70% of A)
And so on

Q35. Should the practice of payment of placement and marketing fees amongst stakeholders be brought under the ambit of regulation? If yes, suggest the framework and its workability?

Payment of Placement and marketing fees is purely a business development choice in a independent B2B relationship of a DPO and Broadcaster. This can never be

brought under any ambit of regulatory framework.
This is similar to ad revenue fees , which a broadcaster earns on different rates, based on how he positions the ad on prime time, peak time, lady's times, men's time etc.
Same is the placement and marketing fee of DPO , if any with broadcaster .
We strongly insist that that should not be considered under the ambit of TRAI for any regulations at all ever. Otherwise , the entire ad revenue amount and other event and marketing amount of broadcasters will need a similar regulations, even if they don't fall it seems today under ambit of TRAI

Q36. Is there a need to regulate variant or cloned channels i.e.

creation of multiple channels from similar content, to protect consumers' interest? If yes, how should variant channels be defined and regulated?

Yes… variant same content with different language feed should be regulated , for the benefit of consumers.

Q37.Can EPG include details of the program of the channels not subscribed by the customer so that customer can take a decision to subscribe such channels?

Yes. This should always be there . This will ensure free marketing and promotion of channel content by DPO to consumers.

The EPG details should be provided by the Broadcaster on timely and non discrimination basis.

Q38.Can Electronic Program Guide (EPG) include the preview of channels, say picture in picture (PIP) for channels available on the platform of DPOs but not subscribed by the customers at no additional cost to subscribers? Justify your comments.

May not be technically feasible in most DPOs today and mostly not possible in cable sector.

It needs an additional investment and additional operating cost. DPO may take his own call and based on B2B business plans with broadcaster concerned .

Q39.Is the option of Pay-per-program viewing by subscribers feasible to implement? If so, should the tariff of such viewing be regulated? Give your comments with justification.

It is feasible to implement . However, we all know it is an additional investment and additional operating cost. Also consumers like unique content in this kind of viewing, and the cost of such contents are vary varied and unregulated. Hence NO regulations. Is possible nor required. It will be market driven and customer choice

Q40.Will there be any additional implementation cost to subscriber for pay-per-view service?

Yes of course. However, will be market driven and complete transparent choice

Q41.Do you agree with the approach suggested in para 5.8.6 for setting up of a central facility? If yes, please suggest detailed guidelines for setting up and operation of such entity. If no, please suggest alternative approach(s) to streamline the process of periodic reporting to broadcasters and audit of DPOs with justification.

Yes . it should be considered. In principle we feel something like this should be firmed up as early as possible

However, the details and nitty gritties, including the confidentiality of data need to be deliberated separately and at a greater length. This should be firmed up in a given time frame , not beyond December 2016

Q42.Stakeholders may also provide their comments on any other issue relevant to the present consultation.

We are providing the overall new suggested model with the key areas of stakeholders tariff , revenues and shares and some specifics…

New Model Suggested

FULL MODEL – RECOMMENDED AS OPTION-

Based on the present consultation and some of the points analysed and preferred, IMCL would like to present the full model as below for DPOs of MSO/HITS:

Background:

It has been observed that the Cable and Satellite industry has undergone several changes since its inception over a decade ago.

It must also be noted that this was an unregulated industry and grew out of the innovation and investment of the individuals with absolutely no support of funding from government. The MSO model only emerged as an in between model to give strength in numbers to deal with broadcasters and make investments which often the LMO (Last Mile Owner) did not have. It emerged as a mean of protecting then short term interest.

We are defining the Last Mile Operator as Last Mile Owner (LMO)

Its therefore important to first recognize the facts of where this industry is currently placed and then evolve a roadmap over 3 years to bring the industry into a regulated industry.

Therefore, there is one important fact that needs to fuel the change and that is the recognition that it is the LMO who must be made responsible for delivery of key Customer Service provisions and not the MSO as they are the owners of the network, the MSO is only a Digital Delivery Platform and the LMO is the service provider. Under this circumstances he must be responsible for:

1. Quality of signals to homes- last mile issues(end customer)
2. Packaging, pricing- communication & implementation (based on available options provided to him from MSO)
3. Payments of entertainment tax
4. Piracy Issues
5. Cable act with regards to local channels

If when LMO is made responsible for such functions; automatically the quality of service will improve.

We must also recognize that we are moving from an analogue era to a digital era and if customer interests have to be kept in mind ; then the process must be smooth, without any hardship in the long run.

The reality is that consumer is today getting all channels for a particular sum of money which is supposedly to include Entertainment tax and other taxes etc., if LMO has avoided paying Entertainment tax then it is his responsibility and he has to find a way to correct this anomaly.

On the other hand, the consumer is making an investment into an STB by law (digitization). In most cases LMO is not subsidizing any cost but maybe adding a margin for himself on this for the STBS .

It is also important to protect the broadcaster's revenue and introduce a model which is fair, transparent and give consumer a choice.

THE MODEL:

A. The total Cable & Satellite Homes (C&S) homes is estimated to be around 160 Million. Let us consider DTH having an active base of 40 MN, that leaves 120 MN homes, we do not consider DD Direct as part of digitization as the model from a Broadcaster point of view is advertising revenue none the less we are excluding 10 MN homes which leaves an industry size of 100 to 110 MN as of 2015 (end).

B. The subscription revenue earned by each Broadcaster is known to TRAI (in case any data is missing, TRAI can call for it and get the data of subscription received by pay broadcasters)

Thus the total revenue earned by a broadcaster through the 110 MN homes irrespective of Phases will be known. Thus the total revenue earned divided by the DAS and non DAS homes will give you the revenue of each broadcaster/subscriber (This could be further reduced Phase wise if so desired). This then becomes the starting point (we are assuming in this case there is no concept of genre wise pricing at this stage).

Once the effective price is determined, this price now becomes the package price (CPS) to determine and then a-la-carte price can be decided . This will ensure to avoid the current situation of a-la-carte pricing being beyond a reasonable price, forcing LMO/MSOs to CPS deals on Broadcaster's terms and pushing weak channels to piggy ride on strong channels, it is recommended that the price of each channel be equal to the determined revenue per subscriber, divided by the number of channels.

The formula for a-la-carte channel should be such that no individual channel can be priced more than 10 percent above the average price and the sum total of such a-la-carte channels cannot be more than 120 percent. In this way broadcasters will relook at their channel line-up and may even convert some channels into FTA.

It has been observed that most customers prefer packages rather than a-la-carte, hence to ensure that LMO does not overcharge after adding cost, the price of the highest package cannot be more than 20 percent of the combined a-la-carte price.

C. Every MSO/DPO incurs cost, there cost among others are
    a. The cost of maintaining the network on which channels are transmitted
    b. Backend cost to provide/comply with the requirements of digitization and quality of service

I . Network Maintenance/Carrying Fee:

Irrespective of the nature of the channel, encrypted or FTA, MSO/DPO incurs cost of carrying the channel, it is proposed that MSO/DPO be paid a standard fee for SD channels and other fees for HD channels etc. as both use different bandwidths, hence it is suggested that for each channel, per month:

I. All Broadcasters pay the platform 25p to 30p per channel /per subscriber/ per month (this will also encourage MSO/DPO to digitize his network) and for HD channels it would be 40p/50p per channel/per month per subscriber.

    a. For Pay channels , if Broadcaster is providing ala carte MRP to customers, then adequate margins and share should be kept for DPO/LMO
    b. Apart from the share of content , the DPO is working like a distributor for ensuring his contents to reach LMOs a 5 ot 10% handling amount/Distribution charge to DPO/MSO should be provided by the Broadcaster . DPO/MSO is acting as a Distributor for all Broadcaster , which they currently pay also (Broadcasters)
    c. The same can be applicable in case of full MRP bouquet from Broadcaster to Customer ; i.e, the Distribution margin of 5 to 10%

should be provided (apart from the share) . This is apart from the margins of content sharing for DPO and LMO

d. Even if DPO/MSO makes the bundles and packages a Distribution amount of 5 % to 10% should be received from Broadcaster to DPO/MSO (cable)

II. Servicing Cost:

The operator will also need to undertake other activities for Pay/Channels like encryption/SMS/Billing/Call Centre etc. In this case the Customers need to pay the MSO/LMO at the rate of 20 p per channel/month/subscriber.

These 2 changes the first one (I) goes to MSO/DPO presuming the entire network is owned by him and the second one (II) Charges also goes to MSO /DPO only.

This can ensure a a transparent method for compensating an DPO /MSO irrespective of size, based on number of channels and subscriber base.

D. The prerogative for packaging and bundling is that of the MSO (DPO). Some broadcaster may want certain special placement or LCN no's., in this case it becomes a special marketing fee, in any case the maximum that can be demanded by a DPO for this facility can be restricted to 50% per channel /sub/month of the carrying fee.

In an ideal situation we must give the consumer the full option to exercise choice, but considering that digitization is not complete and it is possible that some DPO's are still struggling to setup a fully operational/transparent backend process it is suggested that the above from consumer point to be implemented in 2 phases.

The LCO can charge a basic service fee of providing through last mile and local servicing of FTA channels and local network (includes minimum of 100 FTA channels) for an amount not more than Rs. 50/sub/month

Phase 1: In this phase the DPO charges the **NET BILLING** (to the LMO) that is his cost as detailed above + cost of content in a prepaid model for a-la-carte channels can be offered in a prepaid format. This will set the process of arriving at the billable packaging and resolve the issue of the LMO charging for the same package different prices depending on the socio-economic portion of the customer (Regulator must recognize the reality of the market place, as the direct customer collection to MSO/DPO in cable will not happen easily till the price and packaging well established at customer level). This method must continue till Phase 4 is completed and at least 6 months after the same. In this case the ET tax issues should be borne by the LMO

Phase 2: In this phase it is a complete prepaid model (like the mobile phone industry) where DPO's promote their packages and ala carte and consumers pay directly, the total amount to the DPO. DPO return the amount payable to LMO on a regular frequency (issues of taxes need to be attended). In full customer billing, the tax is also to be collected in prepaid from the customer and paid to tax authorities, whoever is collecting the full bill amount. This can be after 12 months to 18 months , post achievement of complete digitalisation .

DPO/LMO needs to bill the consumer the content cost +taxes etc.

Thus a customer bill which will be a summation of the servicing costs, content costs and the taxes; which will be like the example as below:

SN	Particulars	Rs/Paisa Per channel/Per sub/Per month	Subscriber amounts- based on channels subscribed- Carrying				
			100	200	300	400	500
1	Servicing Cost (MSO/DPO Share)	0.2	20	40	60	80	100
2	LCO basic service cost	50	50	50	50	50	50
3	Cost of Pay content**	X					
4	Taxes	Y					
	** Cost of content for pay as per regaultory sharing for DPO/LCO						

(The content cost and tax needs to be received from the customer)

a. DPO Servicing cost – Re 0.20 p/per channel/ month
b. LCO basic service cost of Max Rs. 50 per month
c. Cost of Content –X
d. All Government Taxes- Y

Cost to consumer: Number of channels*(0.20)+ LCO basic cost X+ Y

By this plan everyone's revenue is protected, the TRAI must grant an automatic increase in tariff based on inflation, growth would come from organic growth and package upgrades.

This will make it necessary for broadcasters to also be serious about new channel launches. As far as consumers wanting to see only certain programmes, this should be permitted but the rate must be such that there is balance between monthly cost/subscriber and the programme specific cost, in our view it should be at least 80 percent of the monthly per subscriber fee.

For a DPO /MSO, the model suggested above can be explained under the four critical areas as below:

1. **MSO/DPO Network related tariff**

    i. This includes all DPO/MSO services- Digital Headend, STB software, EPG, call Centre, Encryption, Customer choice . Trunk Lines from Headend to Nodes / (In case of HITS from Satellite to Cable Operator Premise Equipment /LMO units). This also includes headend and trunk lines maintenance software up gradations over the air (OTA)

    ii. However , in this set up , a large LMO can be also treated like a mini MSO , as far as his ability to do Broadcaster deals is concerned. Based on a completely encrypted and auditable pay channel subscription and choice base, this has to be added in the regulatory and interconnection framework . (The large LMO in this case is completely DAS compliant and is following all QoS of

DAS, except that the pay content cost plan and budgeting , he may do himself with any concerned Broadcaster)

iii. The LMO amount is for the last line network and up gradation from time to time and maintenance

iv. The amount share of MSO/DPO should be mandatory and prepaid from the LMOs. LMO may decide prepaid or post paid for customers

b. Gradually over 2 years , the entire payment mechanism at customer level should be mandatorily prepaid , however LCO/MSO can give post paid option

2. MSO/DPO Pay content related tariff- from Broadcasters

a. A concept basic carrying cost fee needs to be introduced for each broadcaster and for every channel a small optimum platform fee needed. This is for ensuring the required reach and the channels basic availability at the customer universe of that MSO/HITS. (The DTH of DD runs with only this business model). A small optimum amount can be either considered as mutually negotiated or be a part of Interconnection law. This can be a low amount as explained above in model

b. The other costs of Placement and marketing etc. for channels are as per our comments in Ques. 35.

c. For Pay channel content the framework has to be defined in a new framework as examined in earlier comments. The Present RIO is wrong and imperfect!. The difference between RIO rates and the actual offered CPS rates is huge and no linkage to the twin conditions etc. for RIO. In fact the agreed CPS is hardly 10 to 20% of the combined RIO rates! These kind of RIO rates are used by pay broadcasters of pressuring in fixed fee deals.

d. Hence a Regulated RIO rate for only pay channels , which can be based on the analysis of PRESENT CPS deal offered and may be a link of say not more than maximum 1.5 times of the CPS bouquet offered (or even lesser times), may be considered.

e. Region Wise RIO's should be considered for pay channels .

f. As in Distribution Network model, here also there can be choice of the MRP for customer to be decided by the Broadcaster for ala carte and its own pay bouquet, in case wholesale RIO /CPS is non conclusive with MSO/HITs , with a regulated share for Broadcaster , MSO and LMO

g. However, the DPO/MSO/HITS should be entitled to do the packaging an bundling as in present with pay and FTA channels , only Pay Channels , only FTA channels . And for this MRP will be decided by the MSO/DPO/HITS and the sharing of this can be considered between MSO and LMO . (as the Broadcaster will get the amount based on count of the channels /bouquet.

3. **Overall issues of Packaging/Bundling :**

a. The packaging and bundling criteria for for DPOs of MSO/HITS need a more attention , especially considering the Doordarshan DD. MSOs/HITs can be allowed to make FTA bouquet with market driven pricing (apart from the 100 minimum FTA basic bouquet). And since these will be FTA open service , all DAS rules like encryption may not apply! This may be considered for FTA packages.

b. As an example , a MSO/HITS platform can have a FTA of 300 channels as one bouquet with a bare minimum of total price of say Rs. 190, and encryption may not be mandatory

c. The other pay channel packages can be provided by the Broadcaster (with regulated sharing) and the MSO/HITS also (he may still make bouquet combining 4 to 5 broadcaster packages /channels, where he may pay a CPS/RIO rate to Broadcaster).

d. In case of CPS, rate of CPS should be from the price of TOTAL channels and no channel can be more than 20% of the average price of the total channel price average in CPS

4. **Customer Transparency and choice:**

a. Any process to be transparent must ultimately be a consumer choice and consumer must have the means of paying directly.

b. Any intermediate will always give rise to underdeclaration of actual values or customer changes may increase without any control
c. In order to avoid the following steps are suggested:
    i. Public declaration of prices by MSO/Broadcasters/DPOs to avoid any confusion in price for the end customer
    ii. Prepaid model with starting initially with net amount from LMO and with a choice of full amount from customers and sharing automatic in system. In case of customers paid and LCO not paying, severe action for that LMO/MSO should be regulated
    iii. Customers can pay full amount to MSO/DPO and LMO share can be given

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