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Koan Advisory Group's Response to TRAI Consultation Paper on "Issues Related to New Regulatory Framework for Broadcasting and Cable Services"

Introduction

The Telecom Regulatory Authority of India (**TRAI**) floated a consultation paper titled '*Issues Related to New Regulatory Framework for Broadcasting and Cable Services*' on May 7, 2022 (**Consultation Paper or CP**). We appreciate the regulator for providing stakeholders the opportunity to resolve sectoral bottlenecks. We are confident that the consultation process will benefit each stakeholder and unlock the Broadcasting & Cable Services (B&CS) segment's potential. **Our submission is divided into two parts. The first part highlights preliminary suggestions we have, and the second responds to specific questions.**

Overview/Conceptual Suggestions

1. *The B&CS segment in India can still grow if the framework creates an enabling regulatory environment*

- The TV broadcasting segment has evolved significantly since 2004, when the government gave the TRAI powers to regulate the segment. The segment has immense potential for growth in terms of innovation, penetration, and monetisation. Table I below gives a snapshot of the growth in this space over the years.

Table I: Evolution of the TV broadcasting market

	2004	Latest
Number of subscribers	45 million	184.14 million
Sector Revenue	INR 128 billion	INR 685 billion
Number of channels	160+	912
DTH operators	1	4
MSOs	-	1733
Cable operators	30,000	1,55,303

Source: FICCI Frames Reports (2006-2020); TRAI white paper, TRAI 2004 consultation paper, TRAI 2021 consultation paper.

- India has the second largest television market in the Asia-Pacific region, even though only 67% of households have a television connection. That is, around 90 million households in India do not own TV. This translates to INR 72,000 (EY FICCI, 2022) crores of opportunity per annum at an ARPU of INR 307.6 (USD 4). It is pertinent to note that this ARPU is shared between broadcasters and distributors, unlike in telecom where the service provider receives all revenues. This ARPU could be higher in the right market conditions.[1] According to BARC[2], approximately 4 million out of 184 million subscribers are multi-TV households. This number could also increase with time.

[1] India has one of the lowest ARPU in the world, owed partly to economic regulation in the sector. It restricts the incentive to expand coverage or make better offerings to existing consumers because regulation caps the MRP for a channel.
[2] BARC India Report on "Impact of Co-viewing on TV Viewership"

- Technological developments like AI/ML, 5G, cloud-based workflow, IP based delivery of content combined with the ATSC 3.0 standard, and broadcast-broadband convergence could introduce a sea-change in the quality of broadcasting. The Advanced Television Systems Committee (ATSC) and the Telecommunication Standards Development Society, India (TSDSI) announced an agreement in March 2021 that would allow TSDSI to adopt ATSC standards. The ATSC 3.0 standard enables broadcast-broadband convergence in base stations and devices, and this will be a boost to a country which has a large subscriber base and adds 250 million devices per year. Prasar Bharti and IIT-Kanpur signed an MoU in July 2021, to set up a Center of Excellence for Media and Broadcasting Technologies at the IIT to explore the potential of direct-to-mobile broadcasting in India and align local broadcasting with global standards. These initiatives are indicative of the potential of new broadcasting technologies and India's unique position of gaining maximum benefit from them.

- Growth estimates also suggest that there is latent potential. According to estimates by the FICCI-EY Media and Entertainment Report 2021, the TV segment will be worth INR 847 billion by 2023. It was worth INR 787 billion in 2019 but dipped to INR 685 billion in 2020 because of the pandemic. A report by the Indian Brand Equity Foundation estimates that television will account for 40% of the M&E sector's revenues, followed by print at 13%, digital advertising at 12% and cinema at 9% in 2024.

- TV broadcasting creates opportunity for meaningful employment to creative professionals, and it also promotes Intellectual Property (IP) development, supplies necessary information to consumers and serve the unique needs of India's diverse population. It employs an estimated 28 lakh people (2017), in both creative and operational roles. However, the audio-visual sector's contribution to Indian GDP is only 1.21% compared to the global average of 2.5%. Unlocking India's potential in the segment involves deepening the subscriber base and producing good quality content. This would not only benefit the segment and its stakeholders, but also contribute to the growth of the country by generating employment and contributing to the GDP.

- **There is a need for a conducive regulatory environment that enables market-led growth and unlocks TV's potential. We appreciate that TRAI has acknowledged bottlenecks that are affecting the market adversely. We subsequently highlight suggestions that the TRAI could pursue towards orderly market growth in the consumer interest.**

2. *Regulatory forbearance on economic regulations is key to unlocking the segment's potential.*

- Forbearance is a key foundational principle in regulation. It means that the regulator should refrain from market interventions and economic regulation unless there is evidence of market failure or a specific harm. Regulators should publish a list of harms that would trigger interventions, the regulatory tools it could use in such a situation and establish the links between the regulatory tools and the harms they would address.

- 'Regulatory forbearance' is not the absence of any regulation, but an evidence-driven approach. It refers to the regulator's decision to forgo direct intervention if the operation of market forces can achieve desired outcomes and there is no evidence of market failure. The rationale supporting regulatory forbearance is that price regulation is not necessary when the market is competitive. Forbearance does not exclude the regulator's power to monitor tariff.

- The TV broadcasting industry is highly competitive. Table I above shows the growth of the private broadcasting industry, since liberalization and the number of participants in each segment of the value chain. Regulatory forbearance is an option the TRAI should consider in TV broadcasting for the reasons cited below.

A. Regulatory forbearance enables orderly growth, reduces prices, improves quality of service, and benefits the consumer.

- State interventions that may be well intended could undermine the ability of markets to create wealth and lead to unintended consequences. The Economic Survey 2019-20 cites four examples to explain how interventions could lead to situations where (i) regulation does not achieve the expected reduction in price or price volatility; (ii) regulation leads to rent seeking and harassment; (iii) regulation may not achieve the objective of making a good/service affordable; and (iv) government becomes the largest player in the market and reduces competition. Based on these examples, the Economic Survey recommends each ministry/department to systematically examine and review areas where interventions undermine markets. This Consultation Paper gives TRAI the opportunity to examine its intervention in the TV broadcasting segment.

- The telecom sector is an example of the benefits forbearance can provide to industry stakeholders and consumers. TRAI forbore the tariffs for cellular mobile services vide the 23rd Amendment to the Telecom Tariff Order on September 6, 2002. TRAI acknowledged that the industry had grown to an extent where market forces could effectively regulate cellular tariff. Forbearance was key to bringing down call rates. TRAI's data reveals that the Average Rate per Outgoing Minute saw a drop from Rs. 16.93 per minute in 1999 to .50 paisa per minute in 2011. As per a 2021 study by the Competition Commission of India, forbearance has enabled telecom players to move beyond price-based competition – allowing them to focus on non-price factors/parameters of competition like QoS, data speeds and bundled offerings.

"*non-price factors such as QoS, data speeds and bundled offerings are likely to be the new drivers of competitive rivalry between service providers in addition to just price.*"

B. It is not possible for a regulator to create a competitive environment for a content-driven sector like television broadcasting through economic regulation

- It is not possible/difficult for TRAI to have a price construct for TV channels. TRAI should be able to justify economic regulation with the need for it (market failure), the method TRAI used to arrive at a price ceiling; and the nexus between the price and how it will solve for market failure. However, pricing copyrighted goods like TV channels is difficult for the following reasons:
    - Copyright goods require a large amount of upfront investment (fixed cost) in conceptualizing and producing goods. Once a copyright good is produced, the marginal cost of reproduction/distribution for consumers is relatively low when compared to non-information products. For example, producing a software or a film requires a large amount of money, but transferring it to CDs or computer files is usually much cheaper. In contrast, the short run marginal cost of production for most goods is initially decreasing but later (after marginal cost is equal to average cost) increases with the production of every additional unit. For example, producing sheets of paper requires machinery (fixed capital) but it also requires skilled workers and raw materials (variable factors), which increases with each unit of paper produced in the short run.
    - The number and nature of stakeholders in every copyright market is distinct. For example, music producers organise themselves into collective copyright societies and collect royalties from distributors and consumers, whereas film producers deal with distributors individually. Each stakeholder adds a different amount of value to the final product, and compensation differs accordingly. The bargaining power that stakeholders wield also differs across stakeholders.

- Consumers listen to many songs, watch many films and TV channels. Consumers decide to watch a film or a TV channel or listen to a song based on individual preferences. Hence, every copyright holder must keep prices competitive and make their content easily accessible to reach audiences. This distinguishes copyright from other IP goods – consumers cannot always substitute one pharmaceutical drug with another, businesses cannot license one trademark instead of another – they must license the one that is useful for them, but consumers can easily switch TV channels or decide which film/song they want to consume.
- Every copyright owner only has a monopoly over their own work, but many such works compete in the market. For consumers, copyright goods are substitutable, compelling copyright holders to compete for their attention – resulting in better quality of production, lower prices, etc. Thus, product monopoly does not lead to monopolization of the market.
- Copyright markets rely on a combination of complementary goods/services to realize value such as distribution, marketing etc. A copyright good alone cannot be considered a market. While a creator may have power over the copyright product, it is difficult to attain market power because of their reliance on exogenous factors and other stakeholders to monetize their product.

• TV prices are not regulated in other countries and the TV broadcasting industry in India does not show an exceptional need that warrants price regulation. Table II below captures how similar countries in the APAC region regulate pricing and bundling of TV channels

Table II: Evolution of the TV broadcasting market

Country	Annual ARPU 2016 (USD)	Retail Rate Restrictions	Packaging Restrictions
Australia	535.3	None other than general competition law	No restrictions
Cambodia	120#	None	None
China	70.4	Basic cable prices are fixed. No regulation on pricing of pay TV.	No specific regulation. Consumers must have the option to subscribe to the basic pack.
Hong Kong	245.88^	None.	None.
India	35.2		
Indonesia	132#	None.	None.
Japan	279.2	Basic pack channel rates have to be disclosed. No regulation on pay TV.	None.
Malaysia	360#	Disclosure of rates before authority and the authority may intervene, but no restrictions currently.	None.
Myanmar	120#	None.	None.
New Zealand	243.60*	None.	None.

Philippines	108#	None.	None.
Singapore	342.8	No rate control, but retail rates are disclosed before the authority.	Cross-carriage system has a limited restriction on bundling.
South Korea	355.1	Price caps were removed but prices are subject to the authority's approval.	None.
Thailand	132#	None.	None.
Vietnam	60#	None.	Required to have basic and tiered channel packages.

Sources – CASBAA Report 2016, International Communications Market Report 2017, Ofcom (Converted to USD); # 2013; Hong Kong - 2020, New Zealand -2022 Projected

C. Prescriptive economic regulation in the broadcasting sector has stifled orderly growth, infrastructure upgradation, and innovation.

- Prescriptive regulations in the form of pricing restrictions, bundling restrictions, and mandatory carriage fees never allowed the market to operate freely since 2004. TRAI tried to overhaul the sector through NRF. However, price regulation distorted incentives to invest in quality upgradation across the value chain. This is one reason why the Indian TV market, the second largest market with over 184.14 million subscribers and 912 TV channels manages to generate less than half the margins a market like Brazil with almost one-third the number of TV households (69.2 million) generates.

- A price ceiling on channels included in bouquets restricts the broadcaster's subscription revenue and increases the broadcasters' dependence on advertising revenue. Approximately 71% of news channels in India rely on advertising as their only source of income. The revenue ratio between advertising and subscription in the broadcasting industry was about a 60:40 split in 2017 (68:32 in 2019). Comparatively, the advertisement to subscription revenue ratio in 2017, was 30:70 in China, 40:60 in the United States, and 38:62 in the United Kingdom. Advertising constituted only 38.1 per cent of cable television network revenues in the United States in 2018.

- Cable operators distribute TV content to more than half of the TV audience/market and they do not have any incentive to upgrade their systems and improve the Quality of Service (QoS) that they offer. The NRF entitles cable operators to a Network Capacity Fee (NCF), a mandatory amount paid by consumers to the cable operator each month. The NCF was set at INR 130 per month (plus GST) for 100 channels in NRF and the 2019 amendments increased this to INR 160 per month (plus GST) for 200 channels. According to the TRAI, the NCF is split into INR 80 as the cost of transmission and INR 50 for infrastructure upgradation. However, the TRAI does not have an enforcement mechanism to check whether distributors are investing in infrastructure. Distributors may charge this fee, even without any investment in upgrading their infrastructure or providing quality service. Without an assured fee, distributors would have to compete against each other on quality of service and quality of infrastructure and this would lead to better outcomes for consumers.

D. The TV broadcasting segment will witness the following beneficial outcomes if the TRAI opts for forbearance

a. It will become feasible to include popular channels within bouquets and subsidize their cost of production.
b. It will reduce the load on billing systems as bouquets and consumer preferences will become streamlined.
c. Channel selection will become simpler because bouquets will include popular channels.
d. TV broadcasters will have the ability to invest in better content once they have the freedom to price and package TV channels.
e. Forbearance in line with TRAI's regulatory objectives – Market forces keep the sector growing and provide consumers with preferred channel packs for cheaper
f. It will reduce the dependence on advertisement revenue, improve the quality of content and reduce ad-minutage and thus benefit the consumer.

3. The NRF is based on the presumption that broadcasters' bouquet discounts distort consumer choice

- The TRAI maintains that the NRF was necessary because broadcasters' bouquet discounts were distorting consumer choice. The contention disregards the average size of the TV household in India and their preference for bouquets because of value for money.
- Bundling reduces prices for customers and fosters effective choice. Bundling reduces monthly subscription bills for consumers and caters to the myriad tastes and preferences of the Indian consumer. The NRF is premised on a flawed understanding of the relationship between the a-la-carte and bouquet pricing of a TV channel and on an unfounded presumption that bouquet pricing is detrimental to the interest of consumers.
- Further, the lack of effective choice among consumers is attributable to last-mile distributors that exercise a monopoly over distribution. MSOs and LCOs control the supply of TV channels at the last mile. They tend to be businesses that face capital and skills constraints to deploy the technologies necessary to follow the QoS regulations. This leads to poor consumer experience, opaque business practices and signal piracy.

Response to CP Questions

1. **Should TRAI continue to prescribe a ceiling price of a channel for inclusion in a bouquet?**
   a. **If yes, please provide the MRP of a television channel as a ceiling for inclusion in a bouquet. Please provide details of calculations and methodology followed to derive such ceiling price.**
   b. **If no, what strategy should be adopted to ensure the transparency of prices for a consumer and safeguard the interest of consumer from perverse pricing?**

Please provide detailed reasoning/ justifications for your comment(s).

No, the TRAI should not prescribe a ceiling price for channels included in a bouquet. As highlighted in Point 2 above, regulatory forbearance in pricing would unlock the potential of the B&CS segment. We would also like to raise the following points.

<u>Freedom to price Pay TV channels does not restrict the consumer's access to affordable TV content:</u> The NRF imposed a ceiling price for channels included in a bouquet based on the assumption that Pay TV channels are essential. TV consumers in India have several avenues to access television content. The DD Free Dish platform provides access to over 100 Free-to-Air channels and 38 million households subscribe to free services offered by the public broadcasters. Further, most of the 912 TV channels are Free-to-Air channels, or they charge a nominal fee of INR 0.50 or INR 1. There is no compelling need for the TRAI to impose a price ceiling because it does not have a significant impact on affordable access to television. Pay TV channels that have a higher cost of production require a guaranteed return on investment and content producers should have the freedom to price these channels to receive returns on their investment, and then reinvest the amount to produce high-quality content.

<u>Freedom to price TV channels fosters healthy competition:</u> Broadcasters will be able to meet consumer demand for low prices and quality content if they have the freedom to price competitively. For example, Star Sports and Sony Ten compete in the sports genre. If consumers had to pick between the two, they would choose the channel that offers better content at lower prices. In this situation, Star and Sony compete for the most lucrative sports broadcasting deals to justify the pricing of their channel. Market forces and negotiation on fair and reasonable terms would provide the best outcome for broadcasters and consumers. Consumers get better content at the best prices because of this competition. If there is a ceiling price, there is an artificial limit on the sports broadcasting deals they could try and enter, and their freedom to negotiate is also curbed.

Further, there is no incentive for a broadcaster to price their channel high in a competitive and price sensitive broadcast market like India because it would also impact the channel's reach and impact advertising revenue.

<u>Economic interventions like ceiling prices should be triggered only in case of market failure:</u> There is no proven case of market failure in the TV broadcasting sector that justifies micro-management of prices or frequent revision of channel prices. The TRAI should detail the market failure, the problem it is trying to solve and how its regulatory intervention would solve the problem before intervening. The burden of proof is on the regulator to justify market intervention with evidence-based research and establish the link between their actions and the market failure or specific harm, the intervention seeks to address.

TRAI, in its October 2021 Consultation Paper on Market Structure of MSOs, observed that "*in a well-functioning market, where firms are competing on fair terms and there are no artificially erected barriers of entry, there is no need to impose restrictions. However, if there is little or no competition or in case where barriers to entry exist, there is the distinct possibility of abuse of dominance by the service providers*". As we highlighted in the earlier section, the TV broadcasting segment is highly competitive and there is no evidence of market failure to justify prescriptive regulations.

In the absence of a market failure or a specific harm, there is no need for prescriptive intervention or economic regulations. The TRAI had adopted a similar approach in its recommendations on the regulation for OTT Communication Services and suggested that no regulation is required at this stage and market forces should be allowed to operate. TRAI relied on recommendations by the International Telecommunication Union which asked Member States to develop enabling policies and/or regulatory frameworks to foster fair competition. The TRAI should adopt a similar approach in the B&CS segment to unlock its potential.

Transparency of prices and safeguarding consumers from perverse pricing: The TRAI highlights two main issues here – transparency of prices and safeguarding consumers from perverse pricing. The NRF in 2017 brought in major reform to transparency in the B&CS sector through QoS Regulations. Consumers can now access TV channel prices on their EPG or through the distributor. Digital Addressable Systems (DAS) makes it convenient for consumers to view channel prices and add or drop channels to their subscription. Further, consumers directly interact with DPOs for their channel subscription, and have the option to view channel prices. If consumers are facing transparency concerns, it stems from non-compliance with either the DAS mandate or the QoS Regulations or both. TRAI should evaluate compliance with QoS Regulations and intervene to enforce them. It is unclear how a price ceiling would improve transparency of prices.

'Perverse pricing' is a concern that existed in the pre-DAS era. Cable TV digitalization and regulations under NRF 2017 (interconnection guarantees, must-provide, and must-carry, and QoS regulations) address any transparency concerns with pricing. As submitted above, the notion that broadcaster bouquets distort consumer choice is also a misconception (See 3 in the Preliminary Section and response to Q3 below). In this context, we submit that 'perverse pricing' does not affect or concern TV subscribers after TV digitization and safeguards brought by the 2017 NRF. Assuming but not conceding that the concern persists, the regulator should focus on downstream enforcement of QoS Regulations and the DAS mandate, instead of considering a price cap for channels included in a bouquet.

2. **What steps should be taken to ensure that popular television channels remain accessible to the large segment of viewers. Should there be a ceiling on the MRP of pay channels? Please provide your answer with full justifications/reasons.**

No, there should be no ceiling on the MRP of pay channels. As explained in the answer to Question 1 above, freedom to price Pay TV channels does not impact affordable access to television content for a large segment of viewers.

Further, the NRF regulatory framework creates limitations and incentive structures that inhibit consumer access to popular television content. DPOs function as gatekeepers under the NRF as they can restrict sampling and access to diverse content. An assured fee in the form of Network Carriage Fees (NCF) distorts incentives for service providers and they are more likely to push subscription packages that offer them the best returns. The regulations prescribe an upper and lower limit for NCF, and service providers are likely to nudge consumers till the maximum NCF ceiling of INR 160 but not beyond that. There is a similar issue with the 'Best-Fit Plan'. Service providers are in a position where they can suggest subscription packages and they have an incentive to suggest a 'Best-Fit Plan' that is more suited for DPOs than consumers. The 'Best-Fit Plan' is essentially a bouquet DPOs can design and offer, a practice that the TRAI seeks to discourage among broadcasters. This also has an indirect effect on content producers. DPOs gatekeeping consumer's access to content limits the broadcaster's ability to understand consumer preferences which is critical for further investment in innovative content. As expected, the role played by DPOs under the NRF regime led to several niche and English-language channels shutting down. In this context, it is important to review the role of gatekeepers performed by DPOs in deciding what content should pass through their network. Regulatory forbearance on channel pricing and a performance linked NCF is imperative in this context.

3. **Should there be ceiling on the discount on sum of a-la-carte prices of channels forming part of bouquets while fixing MRP of bouquets by broadcasters? If so, what should be appropriate methodology to work out the permissible ceiling on discount? What should be value of such ceiling? Please provide your comments with justifications.**

No, there should be no ceiling on the discount on a sum of a-la-carte prices forming part of bouquets. Attempts to restrict channel bundling limits consumer choice.

The freedom to bundle channels leads to better outcomes for broadcasters and consumers: Bundling channels into a bouquet is an efficient method to cater to the diverse and plural consumer preferences in India. They enable consumers to subscribe to a variety of channels for a low price, instead of purchasing each channel individually. Broadcasters are also able to provide content for a lower price because bundling unlocks distribution efficiencies. For instance, broadcasters can subsidize the cost of production of channel, if they offer it together in a bouquet with other channels that have a lower cost of production. This model also ensures lower subscription costs for the consumer, and access to diverse content they may not have accessed if they had subscribed to channels individually. Channel bouquets enhance the value derived from producing and consuming television content.[3] Further, research suggests that the operation of market forces in a competitive market produces an outcome that is a mix of channel bundles and a-la-carte offerings.[4]

For example, consumers prefer buffets or thalis over a-la-carte dishes when dining out. When there are diverse preferences, like in case of TV or any other family entertainment activity it is convenient to decide an option that provides some value to each member of the household. Preference for malls and markets for household shopping instead of individual stores, preference for amusement parks that have multiple options for entertainment etc. support this argument. A-la-carte channel selection creates a choice architecture that involves balancing diverse preferences within a budget and that leads to some member of the household losing out on their preferences. Consumers with a larger budget may be able to accommodate more preferences in a-la-carte channel selection but consumers with a limited budget may not be. This is an important problem that channel bouquets solve.

Twin conditions under NRF leads to a mismatch between objectives and outcomes: There is an urgent need to revisit the twin conditions applicable under the amended NRF because there is a mismatch between the objectives and the outcomes of the twin conditions.

The twin conditions do not align with TRAI's regulatory objectives, and it also leads to unintended outcomes. TRAI introduced the twin conditions in 2019 based on an assumption that broadcasters engage in 'perverse pricing' and this leads to a situation where consumers are unable to exercise effective choice. This arises from the assumption that consumers prefer bouquets over a-la-carte, but as we discussed in our response to above, bundling leads to better outcomes for consumers.

[3] Crawford, Gregory S., and Ali Yurukoglu. 2012. "*The Welfare Effects of Bundling in Multichannel Television Markets*." American Economic Review, 102 (2): 643-85, available at https://www.aeaweb.org/articles?id=10.1257/aer.102.2.64;
[4] Jeffrey Eisenach, The ABCs of Pick and Pay (2014), available at: https://www.nera.com/content/dam/nera/publications/2014/EisenachALaCarteReportFinal062614.pdf

TRAI's regulatory objectives are orderly market growth and protection of consumer interest but twin conditions defeat both these objectives.

- Orderly growth – If twin conditions apply, broadcasters will be unable to place channels with a high cost of production within channel bouquets which will lead to revenue loss for broadcasters. The revenue loss will reflect across the value chain and inhibit orderly growth of the sector.
- Consumer interest – If broadcasters move channels with a higher cost of production (which are often the most popular) outside channel bouquets it will become more expensive for consumers to afford their TV subscription.

In this context, the TRAI should not reintroduce a limit on a-la-carte prices of channels forming part of a bouquet. The TRAI should focus on enforcement of the Quality of Service Regulations, particularly in case of channel selection and EPG to enable consumers to navigate channel subscription seamlessly.

4. Please provide your comments on following points with justifications and details:

a. Should channel prices in bouquet be homogeneous? If yes, what should be an appropriate criteria for ensuring homogeneity in pricing the channels to be part of same bouquet?

b. If no, what measures should be taken to ensure an effective a-la- carte choice which can be made available to consumers without being susceptible to perverse pricing of bouquets?

c. Should the maximum retail price of an a-la-carte pay channel forming bouquet be capped with reference to average prices of all pay channels forming the same bouquet? If so, what should be the relationship between capped maximum price of an a-la-carte channel forming the bouquet and average price of all the pay channels in that bouquet? Or else, suggest any other methodology by which relationship between the two can be established and consumer choice is not distorted.

There is no need for channel prices in a bouquet to be homogenous. In the Preliminary section, we explained how it is difficult to price copyrighted goods like TV channels. The fundamental basis for setting a price point for a product or service is the price at which marginal revenue equals marginal cost. In essence, price denotes the point where demand is equal to supply. This means that an artificial price point (point where demand and supply do not match) would distort the market, either on the demand side, the supply side, or both. The nature and degree of distortion would depend on price elasticity of supply/demand for the given product or service. Additionally, it could also lead to market distortion across the value chain.

Further, it is unclear how homogenous prices may help the consumer or other stakeholders. As explained earlier, any restriction on pricing a TV channel impacts the content producer's ability to invest in content. Broadcasters should have the freedom to price TV channels and recoup their investment.

We have also explained in our response to Q3 above that the freedom to bundle or unbundle channels leads to better outcomes for broadcasters and consumers. In this context, there is no need to stipulate measures to ensure that effective a-la-carte choices are made available to consumers, as market forces will respond to consumer needs and enable effective choice.

5. Should any other condition be prescribed for ensuring that a bouquet contains channels with homogeneous prices? Please provide your comments with justifications.

No. Please see our response to questions above.

6. Should there be any discount, in addition to distribution fee, on MRP of a-la-carte channels and bouquets of channels to be provided by broadcasters to DPOs? If yes, what should be the amount

and terms & conditions for providing such discount? Please provide your comments with justifications.

There is no need to regulate the amount or terms and conditions for broadcasters providing discounts on channel bouquets, in addition to the distribution fee. Market forces and negotiation on fair and reasonable terms is the best way to determine the discount value. Any mandatory cap or terms on conditions is an artificial revenue-sharing mechanism created by regulation. A one-size-fits-all approach of deciding a blanket percentage value cannot account for all the stakeholders in the market. For instance, broadcasters cannot adopt the same approach towards smaller DPOs and larger DPOs.

7. **Stakeholders may provide their comments with full details and justification on any other matter related to the issues raised in present consultation.**

No further comments.

We hope our submission aids with your decision making. Additionally, we hope to continue to contribute to such consultations in the future and remain at your disposal for any clarifications.