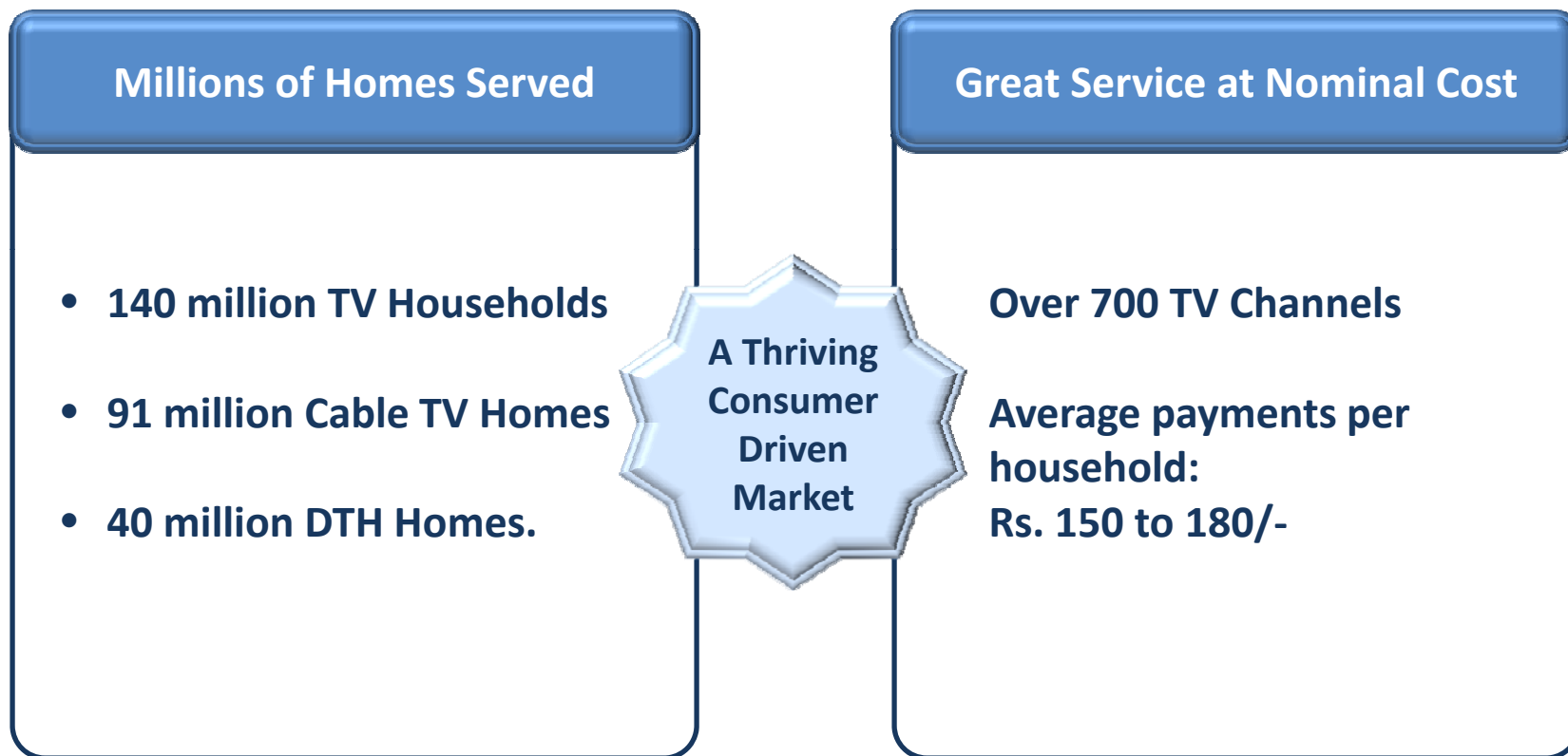


Challenges of Regulation in a Digital Era

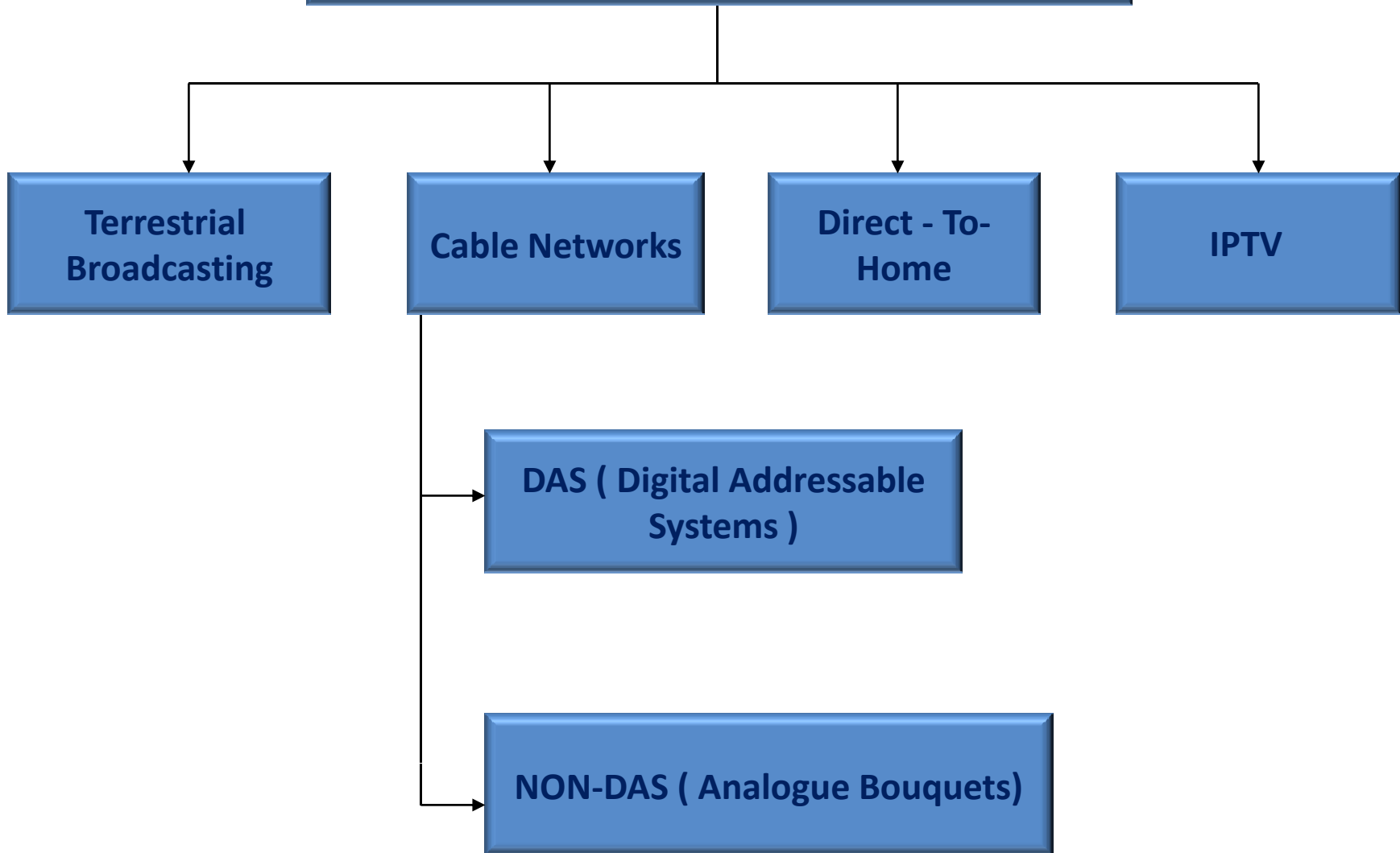
The Indian TV Market Today

India Has a Large Television Market, Dominated by Cable



Cable likely to grow to over 110 million homes by 2014

Distribution Platforms



Overview of the TV Distribution Industry Value Chain in India

Cable Network Services Value Chain



The channels seen on TV (“pay” channels or “free to air (FTA)” channels) are created by different broadcasters and aggregated by content distribution companies. They are transmitted via satellite to head-ends owned by Multi System Operators(MSOS). The MSOs in turn re-transmit these signals through cables to the Local Cable Operators, who have their own “last mile” cable network to individual homes or through their own direct points. Independent Cable Operators(ICO) operate their own networks as small MSOs using same mode of transmission. The *market overall has 10 national MSOs, 1,000 ICOs, and 60000 LCOs.*

DTH/Satellite Service Value Chain



IPTV Service Value Chain



TRAI as Cable / Broadcast Regulator

- Cable Television/Broadcasting Services were brought under Telecom Regulatory Authority of India in January 2004.
- A Fast track judicial body (**Telecom Disputes Settlement Appellate Tribunal – TDSAT**) was made available for **settlement** of disputes between broadcasters and MSOs /cable operators.
- The Cable Rules 1994 were amended in 2006 empowering Government to License CAS MSOs/ICOs and TRAI to issue new customer friendly CAS Regulations. This led to successful implementation of CAS in 2006 in parts of three metros and in Chennai.
- TRAI's key roles on Regulating the Broadcast and Cable Industry include powers for :
 - Interconnect regulations and Revenue Share methodology
 - Tariff Orders
 - Quality of Service norms
- TRAI also recommends policy initiatives to Government. A recent example is the revolutionary **Digital Blueprint** of August 2010.

Digital Blueprint of MIB

- In August 2010, TRAI proposed sweeping reforms of the Cable Sector by proposing to ban analogue transmission of cable TV signals in a time bound manner.
- This required Government to make major changes to the Cable Act especially u/s 4A of the Cable Act.
- TRAI also wanted to reform the cable registration process by introducing licensing of cable sector.
- Government accepted the recommendations which led to vital amendments of Cable Act in October 2011 which Parliament approved in December 2011.
- A four phase notification was issued in November 2011.

Digitalisation Time Line of MIB

The Ministry of Information & Broadcasting (MIB) has set the sunset timeline for Analog cable services and achieve 100% Digitalization – Digital Addressable System (DAS) implementation

Phase 1	<ul style="list-style-type: none">▪ 4 Metro's▪ 30th June, 2012
Phase 2	<ul style="list-style-type: none">▪ All One Million Plus Cities▪ by 31 March, 2013
Phase 3	<ul style="list-style-type: none">▪ All Municipalities & Municipal Corporations- by September 2014
Phase 4	<ul style="list-style-type: none">▪ Rest Of India▪ 31 December, 2014

Task Force has been set up by Ministry of I&B and meetings are being held for Digital Addressable System implementation on a regular basis

Regulatory Challenges For Digital Era

- The **Cable Industry** will have to invest about Rs. 25000 crores to convert 90 million analogue homes to digital.
- Uneven **FDI** of 49% for cable and 74% for HITS makes for uneven level playing field. FDI needs to be harmonised for cable industry.
- Finance Ministry is still to provide **tax incentives** to enable Cable Industry to meet the enormous challenge of digitalisation in a defined time frame.
- TRAI has issued a detailed 93 page **consultation paper** posing 27 questions on December 22 and is completing the consultation process by holding an Open House in Mumbai on February 24,2012.
- **Key issues** posed for reply are:
 - Number / Composition / Price / Ala carte in **Basic Tier**
 - Should **Retail Tariff** be determined by TRAI or left for market forces and how it should be determined.
 - Should **Interconnect Regulations** be modified & should TRAI determine revenue share between MSO & LCO.
 - Should **Must Carry** be mandated for MSOs?
 - Should **Carriage Fees** be regulated for DAS systems?

Regulatory Challenges For Digital Era

- Do Respondents agree with QoS norms and Redressal of Consumer Grievances for DAS systems?
- Who should be responsible for ensuring standards of QoS with respect to connection, disconnection , transfer, shifting, no signal complaints, STB billing and Redressal of Consumer Grievances?
- Should billing be done by MSO or LCO? Should prepaid billing be introduced in DAS systems?
- Should there be separate tariff and Interconnection Regulation for Ad free channels and what should be the revenue share between Broadcaster & Distributor?
- *It is historic to note that over 84 responses have been received from Broadcasters, MSOs , ICOs , Cable Operators , DTH and Consumer Organizations. TRAI is expected to announce the DAS regulatory framework latest by mid March 2012.*

Digitization A Mammoth Task

- Digitalizing 140 million Cable TV customers by 2014 is a huge task.
- Progressive Digitalization with addressability of Pay channels can be first Step towards complete digital India.
- Good policy framework can accelerate the process.
- DTH dominant in Digital delivery. Cable needs level playing field to compete effectively.
- A clear consensus roadmap for smooth transition to DAS in a transparent and well controlled implementation is necessary to ensure that DAS does not falter.
- To ensure this, *serious and speedy actions* are required.

Action required for Digital Success

- **Cable Rules 2012** need to be urgently gazetted. Guidelines for DAS licensees and new entrants should be simple and transparent.
- **Fiscal /Tax incentives/Industry Status** promised to Cable Sector in August 2010 recommendations accepted by MIB should be finalized before next Budget due on March 16.
- **Training and capacity building** is yet to start for phase 1.
- A **massive multi-media campaign** to explain benefits of DAS needs to be launched by Industry/Government and TRAI.
- ***Tariff and interconnection issues and logistics need to be in place for Phase 1 to start on June 30. The realistic timeline for DAS is dependent on effective action on all above.***

Thank You
Ashok Mansukhani
PANAJI
February 18, 2012