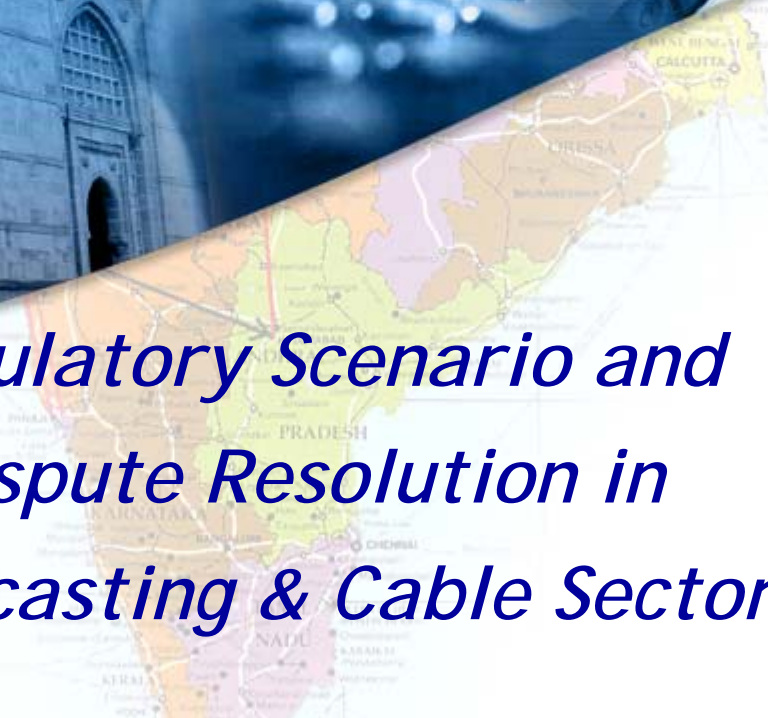
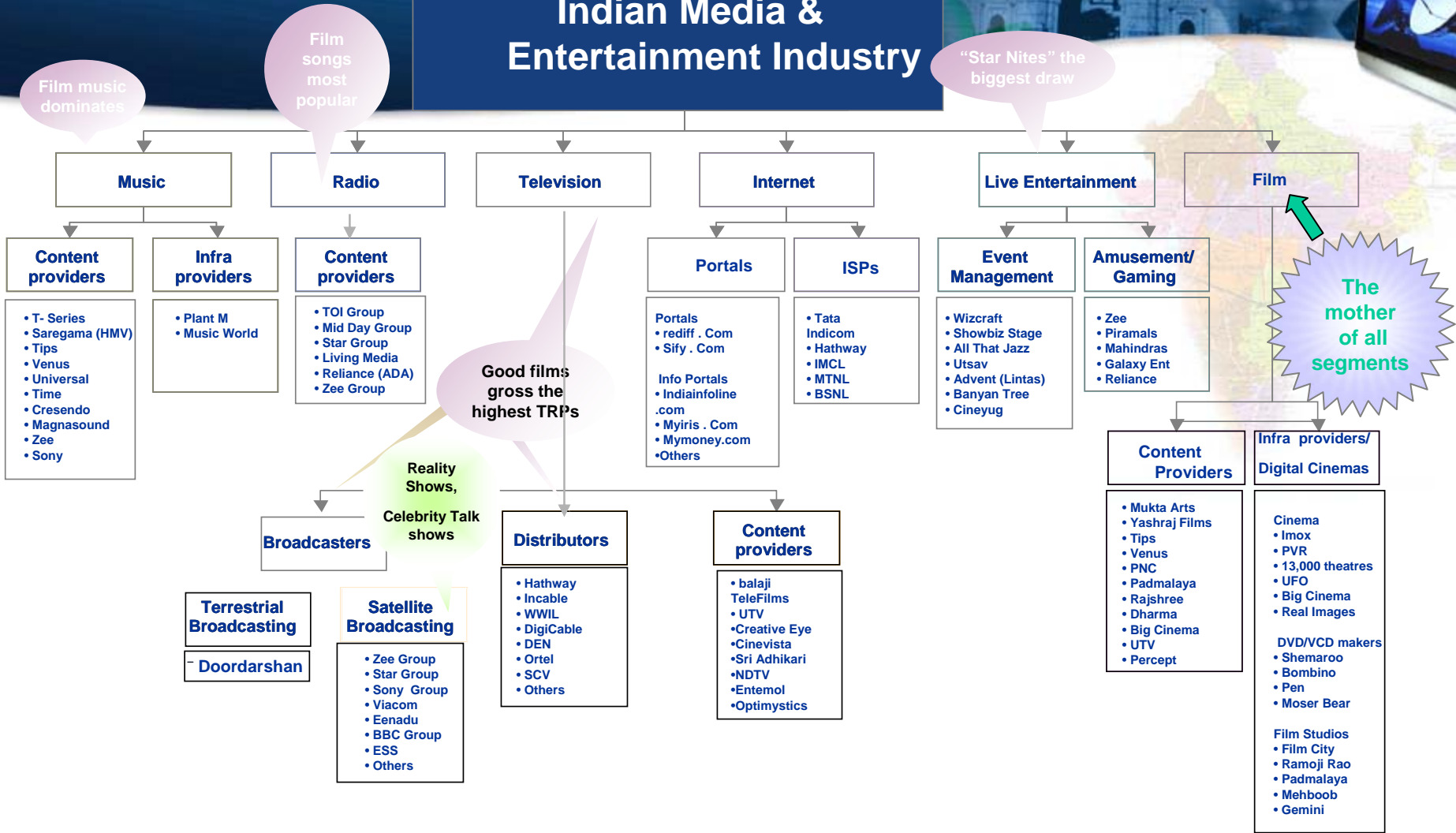




*Regulatory Scenario and
Dispute Resolution in
Broadcasting & Cable Sectors*



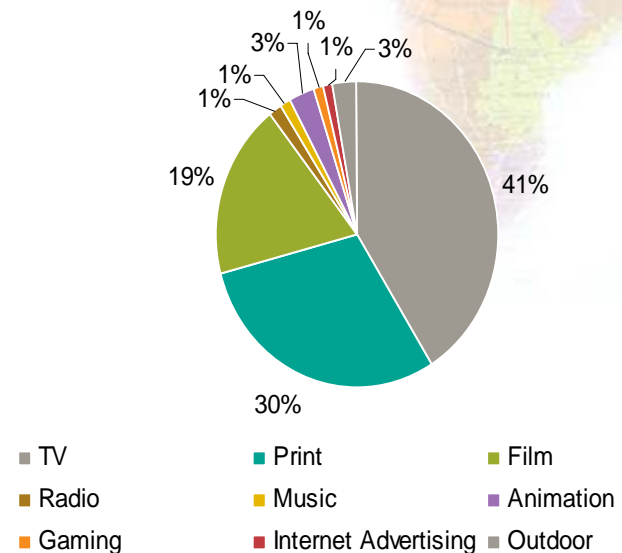
Indian Media & Entertainment Industry



Indian Media Industry - On a high growth trajectory

- Indian Entertainment and Media industry* is currently a US\$11.9bn industry and it is expected to almost double by CY 2013E to US\$21.5bn, growing at CAGR of 13% (2009-13)
- *TV remains the largest segment of the Media pie which is expected to grow faster at a c. 14.5% CAGR*
- Changing consumer patterns and favourable demographics coupled with India's growing affluence have helped speedy growth.
- Digitization of both content and delivery platforms, is leading to increasing reach to wider audiences even in rural areas.

Indian Entertainment & Media Industry 2013E

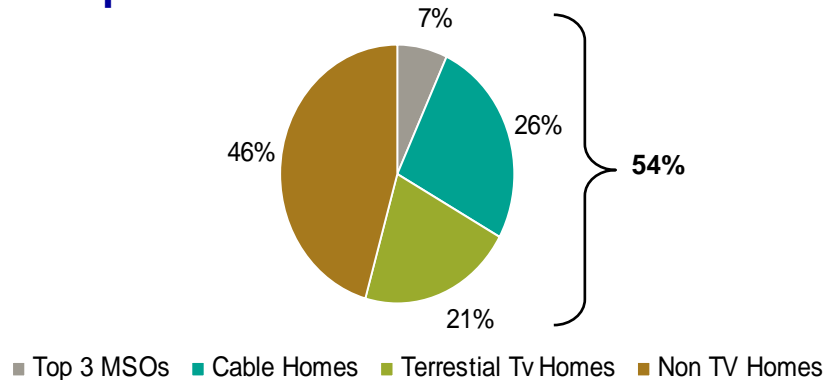


Source: FICCI KPMG

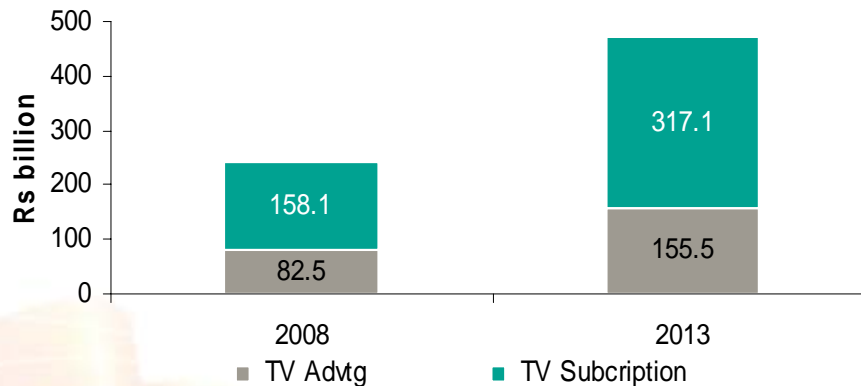
*Includes TV, print media, films, radio, music, animation, gaming, internet advertising and outdoor Source: FICCI KPMG

TV: Key component driving Indian media growth

Significant headroom for growth given 54% penetration



Subscription revenue is expected to grow 2x between 2008-2013



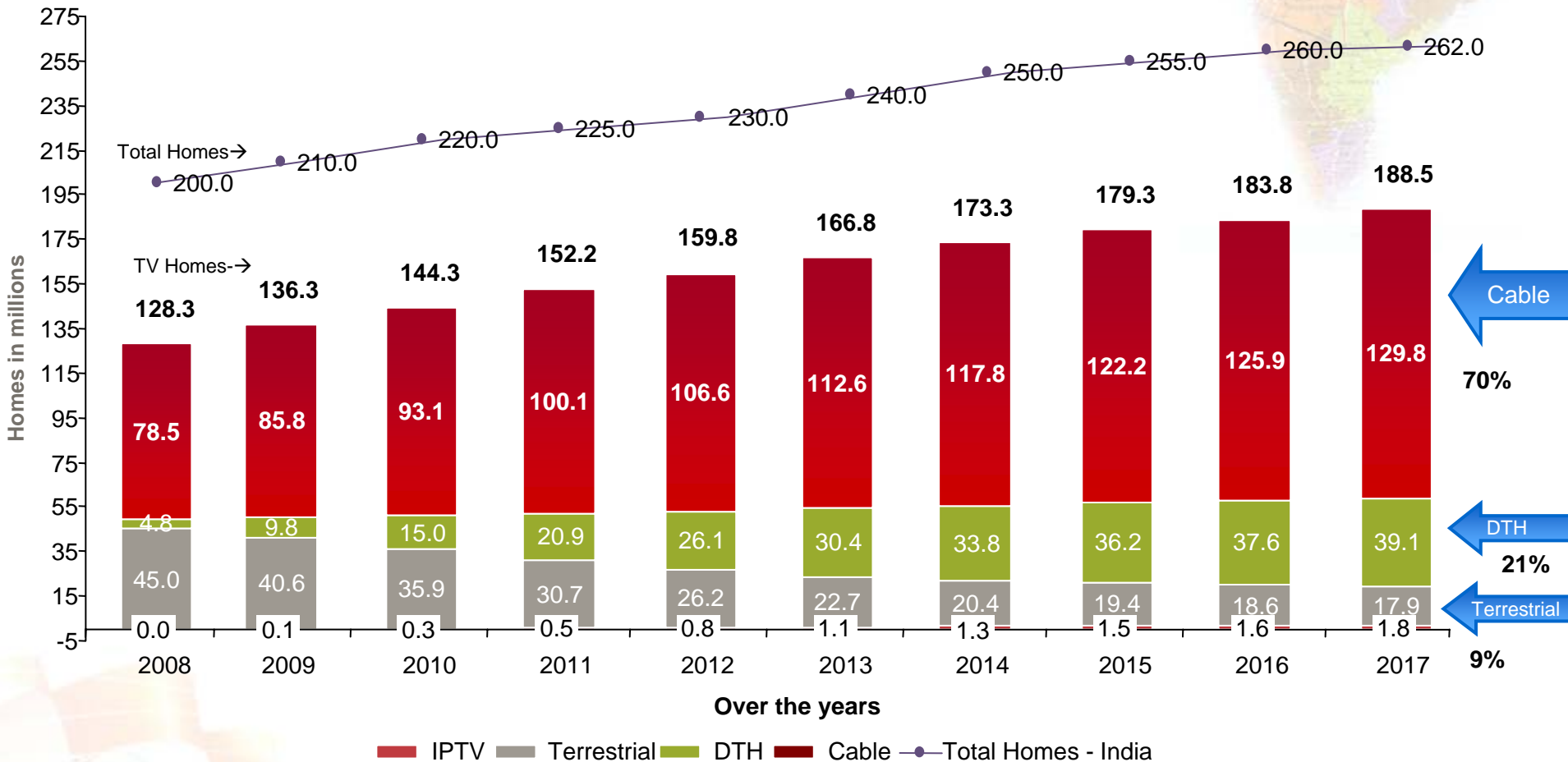
TV Growth Outlook

- The size of television industry is expected to be US\$9.6bn in 2013, with a CAGR of 14.5% from the current US\$4.9bn
- TV subscription revenue is likely to be the dominant contributor to this growth with a 2x growth.
- DTH already reaches out to 15 million homes while more than 95% of 85 million cable homes are analogue.
- All forecasts accept centrality of cable in the next 5 years with DTH continuing to give tough competition.

Source: FICCI KPMG

India Cable & Satellite Market Future Forecast

India -Homes, TV Homes, C&S Homes



Applicable Acts

A. CABLE/BROADCASTING:		
1.	Cable/Broadcasting	Cable Television Networks Regulations Act 1995.
2.	Cable/Broadcasting	Brought under Regulatory Framework of TRAI , by Government notification of 2004.
3.	Public Broadcasting	Prasar Bharati (Broadcasting Corporation of India Act) 1990.
4.	Broadcasting Bill 2007	Revised Draft Bill circulated by Government, requesting for further inputs from service providers/others. Likely to be finalized in 2010
B. TELECOM:		
1.	Indian Telegraph	Indian Telegraph Act, 1885.
2.	Wireless	Indian Wireless Act, 1933.
3.	Telecom	Telecom Regulatory Authority of India (TRAI Act 1997)
C. INFORMATION & TECHNOLOGY:		
1.	I.T.	Information & Technology Act, 2000.
D.	Film and Copy Right	Cinematograph Act ,1952

Role of MSOs (Multi System Operators)

- Multi System Operators came into existence in 1995 as a consolidator and catalyst for providing state of art infrastructure with control rooms for accommodating large number of channels.
- MSOs provided best quality cables and later optic fibre & equipments to build an information infrastructure highway for communication and information technologies for large Broadcasting Entities, ultimately ensuring better television viewing experience for the subscribers.
- *This assured an easy and one point collection mechanism for Pay TV Broadcasters absolving them of large collection personnel and obviated the need to enter into thousands of interconnection agreements.*
- Backed mainly organized Corporate Entities by investing own funds for creating and then continuously upgrading the infrastructure without any fiscal or tax support from State/Central Governments.
- Have pioneered provision of digital services by setting up central digital head-ends and digital feeds thereby continuing to function as the backbone of Cable TV industry.

MSO Alliance and its Role

- The Multi System Operator Alliance (Regd) is an Association representing the organized cable TV distribution sector in India reaching out to millions of viewers all over India
- Have liaised with the Government and TRAI for equitable level playing field of Regulations keeping consumer interest at forefront
- For the past 6 years, MSO Alliance has worked closely with the Government and Regulator on various Sectoral issues
- The Alliance is gratified and honored that many of its suggestions given earlier from time to time to Government and TRAI are under action by the Telecom Regulatory Authority of India (TRAI) and the Ministry of Information & Broadcasting and many of them have been implemented.
- *The Alliance has always backed TRAI and Government in all its efforts to effectively regulate the broadcasting and cable industry in various industry forums and courts.*

Regulatory Update-

Role of TRAI for B&CS sector

- Cable Television Services brought under Telecom Regulatory Authority of India in 2004 by virtue of Delhi High Court order of 26/12/2003 and Government notification under Section 2 (1) (k) proviso.
- A Fast track judicial body (Telecom Disputes Settlement Appellate Tribunal - TDSAT) is now available for settlement of all disputes between broadcasters and MSOs /cable operators.
- Cable Act 1994 amended in 2006 empowering Government to Licence CAS MSOS/ICOs and TRAI to issue new customer friendly CAS Regulations.
- TRAI follows an exhaustive and transparent consultation process mandated under Section 11 (4) of the TRAI Act.
- TRAI's key roles in Regulating the Broadcast and Cable Industry includes powers for :
 - Interconnect regulations
 - Tariff Orders
 - Pricing regulations
 - Revenue Share methodology and process.
 - Quality of service

Regulatory Initiatives - Digital Addressability (CAS)

Rollout issues

- **The Cable Act 1995** was amended in 2002 to bring in mandatory addressability for pay TV channels through use of set top boxes for four metros by September 2003.
- **CAS** was made operational in Chennai in September 2003 and in Delhi in December 2003.
- **Based on Delhi High Court directive**, CAS was finally implemented in one zone each of Mumbai , Delhi and Kolkata from 31st December, 2006.
- **TRAI** has issued Recommendation on HITS, to enable satellite based digitalization on Cable.
- **Trai** has finalized a 55 city digital addressable rollout plan.
- The next phase of **Mandatory CAS** is to be announced by Government based on feedback from state governments and consumers.
- Government may replace CAS with **mandatory sunset clause** banning analogue transmission.

Conditional Access Regulations (CAS) Regulations 2006

- TRAI issued three regulations in August 2006 to create a legal framework for smooth implementation of CAS. These include a tariff order, interconnect regulation and QOS regulation. Key features are:
 - TRAI stipulated a **Tariff structure** based on the low price -high volume similar to the highly successful mobile phone market. Legal challenges by Broadcasters were dismissed by TDSAT and are pending in Supreme Court.
 - TRAI directed CAS MSOs to provide a mandatory **Rental Scheme for Set Top Boxes** to facilitate easy availability of Set Top Boxes for customers across all economic segments.
 - **Standard Interconnect Terms** fixing standard contracts and determining standard distribution margins have been introduced.
 - **Quality of Service Regulation** for customer bills and services introduced for first time.
 - **Legal challenges** to these regulations by broadcasters dismissed by TDSAT.
 - **Appeals** pending in Supreme Court.

Licensing of Cable Operators

Regulatory Framework

- There is a registration policy for Cable by Post office application.
- The draft **Broadcast Bill 2007** provides for repeal of Cable Act but licensing of cable operators.
- However , for **CAS** areas , there is a specific licensing policy applicable from 2006 based on various technical parameters of the concerned MSO/ICO.
- Trai has recommended overhaul of post office registration by a **licensing regime** pending for Government's consideration.
- The **October 4,2007** regulation stipulates maintenance of subscriber records for first time.

Availability of Content On Non Discriminatory Basis

Indian Content Regulation Framework

- Broadcasters “must provide” all their TV channels on a non discriminatory basis to all forms of signal seekers including MSOs/cable operators.
- This is in terms of **Interconnection Regulations of 2004** upheld by Supreme Court and as amended in 2006 and 2009.
- Broadcasters have to submit their **standard interconnect offers** to TRAI to ensure non discriminatory legal and contractual terms to MSOs/cable operators.
- **Sufficient safeguards for broadcasters** on issues of piracy/area and payment default built into the Regulation.

Regulatory Overview on Channels Registration

Downlinking Guidelines 2005

- New downlinking guidelines have been introduced on November 11, 2005. Applicants seeking permission to uplink any channels from abroad to downlink on Indian soil shall be required to sign a permission agreement with the Government.
- The National Broadcaster Prasar Bharati has been granted exclusive terrestrial and FTA/ DTH broadcasting rights in India for major sports events and will share advertisement revenues with rights holder.
- All foreign TV channels through TV signals to India will have to either register as Indian companies or will have to set up Indian distribution companies.
- All Indian laws relating to content regulation, broadcast regulation, taxation and applicability of Indian law generally have become applicable.
- MIB has recently issued notice to temporarily hold back new channel applications post October 2009, pending TRAI's recommendation on uplinking and downlinking of TV Channels as the number of approved channel is over 500 already

Pricing of Channels - Non CAS (analogue cable)

Indian Pricing Framework

- The pricing of channels in analog areas was controlled by a Tariff Order TRAI freezing pay channel and FTA prices to 2003 rates. This has now been lifted from December 1 2007 by October 2007 regulation.
- A new price cap has been put on MSOs/cable operators based on number of pay channels provided fixing maximum charges excluding taxes/duties at Rs. 260 plus taxes and also ala carte choice to MSOs from Broadcasters.
- In view of price cap, A la carte choice of Channels by MSOs from Broadcasters in non CAS Areas allowed by Trai. Broadcasters challenged a la carte regulation.
- TDSAT set aside the Regulation for fresh determination but Trai and a MSO challenged the set aside in Supreme Court, which ordered status quo and directed framing of fresh regulations denovo by TRAI by June 30,2010.

Pricing of Channels - CAS & Non CAS

Indian Pricing Framework

- The payment for Pay TV channels in analog areas is based on the principle of negotiated declaration recognized by the September 4, 2006 Interconnect Regulation.
- Broadcasters are free to fix both a la carte and bouquet rates but MSOs cannot charge more than Rs. 260 for the entire bundle of pay TV and FTA channels.
- However for CAS areas the pricing for Basic FTA tier (at Rs. 83 plus taxes for a minimum of 30 channels) and pay channels has been regulated as of now.
- The pay channels are priced at Rs. 5.35 per sub/month plus taxes for a single channel.
- On DTH and IPTV, there is no price regulation as such, but Supreme Court has directed TRAI to regulate prices for DTH by June 30, 2010.

Sharing of Revenues across Broadcasters /MSOs/LCOs

Indian Revenue Share Framework

- There is no revenue share in non CAS (analogue) cable areas by Broadcaster as entire amount negotiated goes to Broadcaster
- For CAS areas , August 2006 Tariff Order provides for 45:30:25 ratio between Broadcaster: MSO: LCO.
- Also LCO retains the entire basic tier FTA amount in CAS areas , which is Rs. 83 per sub/month.
- For DTH and IPTV ,there are no regulations as of now regarding revenue sharing.
- DTH operators are given A La Carte choice and currently have to pay only 50% of bouquet price fixed for MSOs by broadcasters in non-CAS areas provided that the pay channel is carried in basic tier of DTH package.

TRAI's Recent recommendations of 2008-2010 on Restructuring of Cable Industry

- Greater emphasis on network digitization, increased addressability and to encourage voluntary digital addressability.
- Incentives to Multi System Operators (MSOs) to introduce total digitized networks enabling sunset of analogue signals by 2017.
- The registration for cable TV operator to be replaced by a comprehensive and supportive licensing framework for MSO/LCO ensuring accountability and full transparency of subscriber base.
- Eligibility criterion made specific to identify the entities who can act as LCOs and MSOs
- Option and flexibility to choose Service area given both to LCOs and MSOs once they have registered with the Government.

Recommendations of TRAI Pending Government Clearances

- **CAS extension** to the remaining three metros and subsequently followed by digitalization of 55 cities within a span of 3 years (with addressability)
- **HITS platform** - Tariff and interconnection regulations.
- **Internet Telephony** for Cable-impetus to cable industry and amendment of licensing regime.
- **FDI policy on cable** (49% vs. 74%). Clarification on new press notes of 2009.
- Recommendations on **Cross Media Holdings** - Vertical integration regulation.
- **Access of TV** on mobile allowed, however live TV not allowed due to spectrum allocation issues by DoT
- **Digitalization plan** within 5 years under restructuring of cable industry, as recommended by TRAI
- **Licensing of Cable Operators.**

Towards Digitalization- Time Frame and Processes.....

- There has been a recent welcome development after SIMCON held on 5th December 2009. The Minister and the Conference strongly endorsed the need for digitalization in broadcasting sector especially in the cable sector.
- The general view was that there was a need to prescribe a definite timetable for such digitalization. While doing so, issues like incentivising digitalization, rationalization of tax structure, appropriate tariff and interconnection regime etc. needs to be considered and clearly laid down.
- Also ,as recent as of 28th January 2010, the Minister of Information & Broadcasting (I&B) at the inaugural function of the three-day BES EXPO 2010, emphasized that digitization is a key thrust area for development because of the various advantages offered by digital mode.
- The Minister remarked that though India has not yet set a specific date for sunset of the analogue, but the government foresees 2017 as the year when India will have complete switch from analogue to digital.



THANK YOU