CHALLENGES AND OPPORTUNITIES IN A DIGITAL ERA

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The Indian TV Market Today

Millions of Homes Served

- 165 million TV Households
- 98 million Cable TV Homes
- 50 million DTH Homes.

A Thriving Consumer Driven market

Great Service at Nominal Cost

Over 800 TV Channels

Average analogue payments per household:
Rs. 150 to 180/-

Cable likely to grow over 110 million homes by 2014
ARPUS likely to double to Rs. 300 by 2017

Overview of the TV distribution industry value chain in India

Cable Services Value Chain

Broadcaster → Aggregator → MSO → LCO → Consumer

The channels seen on TV ("pay" channels or "free to air (FTA)" channels) are created by different broadcasters and transmitted from satellite to receiving stations (head-ends) owned by MSOs or ICOs. The MSOs in turn re-transmit these signals through cables to the LCOs, who have their own "last mile" cable network to individual homes. The market overall is highly fragmented with some 60,000 LCOs and 1,000 ICOs, including around 10 major MSOs

DTH/Satellite Service Value Chain

Broadcaster → Aggregator → DTH Operator → Consumer

IPTV Service Value Chain

Broadcaster → Aggregator → IPTV Services Provider → Consumer

Digitalisation Sunset Date for Cable -Set by the Government

Phase	Criteria	Deadline
Phase I	Roll out across Mumbai, Delhi, Kolkata & Chennai (Partially complete)	1 Nov 2012
Phase II	Roll out in 38 cities with population over 1 mn (In progress).	31 March 2013
Phase III	Roll out in all other urban areas/ municipal corporations/municipalities (Begun)	30 September 2014
Phase IV	Roll out in Rest of India including rural areas. (Begun).	31 Dec 2014

Pitching Digital Cable in Direct Competition with DTH

	Digital Cable	Direct To Home (DTH)
Value added services	↑ Dual / Triple play capabilities True Video On Demand (VOD)	↓ HDTV+DVR, Pay per view No “return path” limiting scope for value added services
Customer connect	↑ Can continue to use LCOs as ‘feet-on-street’	↓ Customer interface through call centers only
Channel carrying capacity	↑ 1,000-1,500 SD channels, assuming no accompanying analog signal	↓ 200-300 SD channels due to limitations in transponder availability
Transmission	↑ Uninterrupted transmission	↓ Transmission can get impacted due to weather conditions
Regional content	↑ Regional / local content will be a significant differentiator	↓ Fewer regional channels, available nationwide
Infrastructure cost	↑ Existing hybrid infrastructure can be leveraged	↓ Setup cost per new subscriber is relatively higher
Readiness	↓ Challenge for analogue players who do not have necessary systems and processes in place for transition to digitisation	↑ Already fully digital addressable system: ready to capitalize on this opportunity

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)** has been made available for settlement of disputes in this fast growing sector.

- The Cable Rules 1994 were amended in 2012 after revised Section 4A in Cable Act empowering Government to License CAS MSOS/ICOs and TRAI to issue new DAS Regulations.

- TRAI's key role in Regulating the Broadcast and Cable Industry includes powers for :
  - **Interconnect regulations**
  - **Tariff Orders**
  - **Revenue Share methodology and process**

New DAS Interconnect & Tariff Regulation

- By an ordinance in 2011 and subsequently amendments to the Cable Act and Rules in 2012, Digital Addressable Systems were introduced in a tight time frame scheduled to be completed by December 31, 2014. TRAI was given enhanced powers to regulate and monitor orderly progress of DAS. These replaced CAS.

- On April 30 2012, TRAI issued a new DAS tariff order and interconnect regulations applicable to all DAS notified areas.

- ***Salient features are***:
  - There will be a compulsory basic service tier consisting of minimum 100 FTA channels of five channels of each specified genres plus DD channels.
  - All channels will be compulsorily offered al-a-carte or in bouquet on specific choice of customer.

New DAS Interconnect & Tariff Regulation

- Basic service tier of FTA will be available at maximum of Rs.100/- but on even opting for one pay channel a customer will have to pay Rs.150/-

- Broadcasters will be allowed to negotiate their packages below the overall ceiling of 42% fixed by the Supreme Court in the digital addressable tariff regime.

- MSOs are allowed to charge carriage fees but they would publish reference interconnect orders and apply them in uniform non-discriminatory and transparent manner.

- The revenue share between MSOs and LCOs would continue to be based on mutual negotiations but in case they failed revenue share would be 55- 45 for MSO LCO for BST channel and revenue share for pay channels would be 65-35 for MSO LCO.

Quality of Service Regulations May 2013

- On 14.5.2012, TRAI issued QOS regulations stipulating standard application form for provision of DAS services.
- 15 days time would be given to consumer for disconnection and vice versa.
- MSOs were to publish a manual of practice for benefit of consumers.
- Consumer complaints were to be responded within 8 hours.
- Customers were compulsorily required to provide their identity and addresses so that the signals were supplied to only authorized customers.
- Customers were however entitled to select and opt for specific bouquets or a la carte or combination of both.
- They were entitled to itemized billing and allowed to move in and out of their choice channels in prescribed time frame.

Quality of Service Regulations for DAS areas

- Every MSO was allowed to offer cable TV with both prepaid and postpaid options and be responsible for generation of bills to consumers from the subscriber management system based on specific choice of customers.

- Minimum 3 STB schemes were to be offered to consumers.

- A mandatory website was to be created by MSO giving full details of services offered and public awareness campaign was to be conducted by MSOs and operators.

- Every MSO and operator were to appoint Nodal Officers to deal with consumer complaints and every MSO and Operator had to publish a consumer charter for services provided by them.

- A consumer care call centre number was also to be created.

DAS Interconnect 2012 Regulations

- MSOs were debarred from claiming any placement fees from any Broadcasters. For carriage fees, MSOs were directed to submit the RIO stating the basis on which carriage fee was computed by each MSO.

- Every MSO was to display on EPG the channels as determined by the Broadcaster in the genre declared by him.

- MSOs were directed to enhance carrying capacity to minimum 500 channels by January 1, 2013.

- ***The issue of placement fees and 500 channels minimum carrying capacity was challenged by MSOs. TDSAT in its order of October 2012, upheld levy of placement fees and deleted the 500 channel minimum carrying provision. Appeals are pending in Supreme Court.***

2013 Amendments to Interconnect and Tariff Regulations

- In terms of TDSAT directions contained in its judgment of October 2012 and representations by service providers, new DAS amendments have been notified by TRAI on September 20, 2013.

- The twin conditions regulating the a la-carte rate of channels vis-a-vis the bouquet rates have been amended to make it more equitable to consumers who can opt for either ala-carte or bouquet or combination of both.

- The 500 channel minimum carrying capacity has been deleted.

- Carriage fees and placement fees are now allowed subject to the express stipulation that MSOs cannot seek a channel from a broadcaster and demand carriage fees at the same time.

Digitization a Mammoth task

- As per extant notification, the entire country must be digitized by December 31, 2014.
- As of now, 41 cities have been digitized in phase 1 and 2 approximating to 28 million homes (including DTH). Of these approximately 21 million have Cable STBs and rest DTH.
- There are hundreds of towns and district heads which have to be digitized in approximately 14 months which is a herculean task for the cable industry and DTH.
- One Government estimate is digitalization of 110 homes by December 31,2014.
- Cable industry as per MPA invested US$ 850 million to acquire 27- 28 million customers in phases 1 and 2. But payback is far off as analogue rates are still charged and gross billing remains a dream. This is due to operator resistance and confusion on who is to collect government taxes.

Incentives for Cable DAS

- In the original DAS TRAI recommendations of August 2010, the burden of digitization was ***to be equally borne*** by the cable industry and Government which was to give tax incentive and industry status which has run aground in inter ministerial discussion.

- All service providers who have set up a digital addressable distribution network before the sunset date need to be treated akin to telecom service providers and be eligible for a 8 year tax holiday.

- Reduced basic customs duty on digital head end equipment. Zero customs duty on STBs for next three years.

- Entertainment Tax to be rationalized on state basis. Maharashtra charges Rs 45 per STB. All other Taxes / levies on broadcasting distribution sector to be rationalized.

- MSOs/LCOs be eligible for seeking Right of Way on non exclusive basis for laying optical fiber / cable network s stipulated in the amended Cable Act..

- Government should initiate a massive educational programme to educate the stake-holders about the benefits of digital addressable cable TV network , as recommended by TRAI.

Regulatory Challenges For DAS

- ***The cable industry would like to take this opportunity to express deep gratitude to TDSAT for offering a fast track solution to the service providers enabling creation of level playing field conditions for smooth transition to digitisation***.
- We would like to highlight almost total absence of broadcaster regulation.
- The interconnection arrangements are causing distortion in creating fair revenue share for all service providers especially MSOs.
- TRAI views on disaggregation of content are eagerly awaited.
- Frequent use of switch off notices by Broadcasters disturbs smooth deployment of STBs and effective billing. Many agreements have lapsed. Negotiations are heavily weighted in favour of Broadcasters.
- Cable industry has coped with enormous change but needs a strong regulatory and judicial safety net to survive.
- ***The challenge is enormous, we will rise to it.***

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Thank you